

Missouri Transportation Finance Corporation (MTFC)
Missouri's State Infrastructure Bank (SIB)
Reference Manual

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Introduction

This reference manual serves as a guide for the Missouri Transportation Finance Corporation (MTFC) Board members of their responsibilities and is to be used as an explanatory tool for MTFC activities. The content of the reference manual is based on the Cooperative Agreement the MTFC entered into with the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Federal Railroad Administration (FRA), agencies of the United States Department of Transportation (USDOT) and the Missouri Highways and Transportation Commission (Commission). Under the authority granted by the Transportation Equity Act for the 21st Century (TEA-21), the Missouri Non Profit Corporation Act and the Cooperative Agreement, the Missouri Highways and Transportation Commission (Commission) organized the MTFC to assist in financing transportation improvements. The reference manual provides general information to help the MTFC Board members understand their roles and responsibilities to conduct business. The staff within Financial Services is responsible for maintaining and updating the reference manual as deemed necessary. When revisions or updates are made, new material will be provided to the MTFC Board members.

Missouri Transportation Finance Corporation

Missouri's State Infrastructure Bank

History and Legal Framework

The National Highway System (NHS) Designation Act of 1995 created the State Infrastructure Bank (SIB) pilot program for up to ten states. MoDOT submitted an application and in July 1996 was among the first ten states selected to participate in the pilot program. The ten states included Arizona, California, Florida, Missouri, Ohio, Oklahoma, Oregon, South Carolina, Texas and Virginia.

The MTFC was approved by the Missouri Highways and Transportation Commission (Commission) on August 9, 1996 and the MTFC's first meeting was held on August 13, 1996. On August 23, 1996, the MTFC was incorporated under Missouri's Non Profit Corporation Act authorized by Chapter 355 RSMo (see Appendices for Articles of Incorporation). On September 13, 1996, the MTFC Board adopted bylaws (see Appendices for the Bylaws) and subsequently entered into a Cooperative Agreement with the Federal Highway Administration (FHWA) and/or the Federal Transit Administration (FTA), agencies of the United States Department of Transportation (USDOT) and the Commission (see Appendices for the Cooperative Agreement) on September 23, 1996. On May 24, 1999, the MTFC entered into the Transportation Equity Act for the 21st Century (TEA-21) Cooperative Agreement with the same parties as the first Cooperative Agreement and the Federal Railroad Association (FRA). The MTFC is empowered to make any change or addition to the adopted Bylaws or the Articles of Incorporation. On December 30, 1998, the MTFC obtained an Internal Revenue Service (IRS) letter ruling acknowledging MTFC as an organization exempt from taxes under Title 26, Section 115, Internal Revenue Code (IRC).

The United States Department of Transportation Appropriations Act of 1997 amended the NHS Designation Act to allow the USDOT to expand the SIB pilot program to include additional states and appropriated \$150 million in Federal General Fund Revenues (GFR) for SIB capitalization. The TEA-21 extended the pilot program for four states, California, Florida, Missouri and Rhode Island, by allowing them to enter into cooperative agreements with the USDOT to capitalize their banks with federal-aid funds provided in fiscal years 1998-2003 (see Appendices for TEA-21 Cooperative Agreement).

In federal fiscal year 1997, Missouri received \$7,410,000 of new federal money earmarked from the GFR for the program. This money was in addition to the Missouri Department of Transportation's federal funds. The Commission approved \$42,000,000 of Missouri's federal funds and \$10,250,000 of state funds (State Road Fund) to be transferred to the SIB program. The initial capitalization for the MTFC highway and transportation accounts is \$59.66 million. The Commission established federal-aid project grants between fiscal years 1996 and 1999 in the following amounts from the following sources to provide MTFC capital:

SIB Capitalization by Federal Fiscal Year

<u>Fund Category</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Totals</u>
Surface Transportation Program – Any Area	\$ 578,300	\$ 7,568,230	\$ 12,000,000	\$ 4,000,000	\$ 24,146,530
Interstate Maintenance	3,894,000	-	-	-	3,894,000
Bridge	6,027,700	6,931,770	-	-	12,959,470
FTA Grant	-	1,000,000	-	-	1,000,000
GFR	-	7,410,000	-	-	7,410,000
Total Federal Funds	\$ 10,500,000	\$ 22,910,000	\$ 12,000,000	\$ 4,000,000	\$ 49,410,000
Matching State Road Funds*	2,625,000	3,625,000	3,000,000	1,000,000	10,250,000
Totals	\$ 13,125,000	\$ 26,535,000	\$ 15,000,000	\$ 5,000,000	\$ 59,660,000

* Matching state funds were 25 percent of the federal funds except those funds coming from GRF and FTA Grant.

In 2005, Congress passed the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) that allowed all states, Puerto Rico, the District of Columbia, American Samoa, Guam, the Virgin Islands and the Commonwealth of the Northern Mariana Islands authorization to enter into cooperative agreements with the Secretary of Transportation for fiscal years 2005-2009. The cooperative agreement allowed all states to establish a SIB and the states that had already established a SIB to increase their capitalization amount and leverage more federal funds. Missouri chose not to enter into the SAFETEA-LU Cooperative Agreement and chose to continue participating with the TEA-21 Cooperative Agreement.

Purpose and Eligible Entities

The MTFC is a SIB, which is a revolving loan fund that can offer loans and non-grant forms of credit assistance to public and private entities. SIBs are established and administered by the states and are intended to complement traditional transportation grants. SIBs provide states with a mechanism to finance a wide variety of transportation projects through loans and credit enhancements. Money from a SIB is loaned out to entities for transportation projects, repaid and then loaned out again.

The MTFC provides direct loans for transportation projects within the state of Missouri. Loans may be funded from available MTFC resources. While SIBs have the authority to exercise multiple facets of finance options as detailed in 23 U.S.C. 610, the MTFC provides only direct loans. Per the MTFC loan policy, Financial Services staff must obtain pre-approval from the Board to provide other financing options outside a direct loan. Other financing options include (see Appendices for Loan Policy, Section 2):

- Primary or subordinated loans
- Credit enhancements
- Debt reserve financing
- Subsidized interest rates
- Purchase and lease agreements for transit projects
- Bond security

The direct loans can assist with project acceleration, economic development and stimulation of private investment. The direct loans made must help assist the Commission to achieve continued economic, social and commercial growth of Missouri, act in the public interest or promote the health, safety and general welfare of Missouri citizens.

Candidate projects for MTFC assistance include any highway project eligible for federal assistance under Title 23 of the U.S. Code and any transit capital project eligible for federal assistance as defined in Section 5302 of Title 49 of the U.S. Code. The MTFC can provide financial support to both public and private sponsors of eligible transportation projects, and can assist in financing any stage of the project's development. There are no federal share restrictions on the cost of the projects eligible to receive MTFC assistance. All loans are subject to federal requirements (see Appendices for the Loan Policy, Section 6).

All FHWA functionally classified highways are MTFC eligible except for local or rural minor collectors. All bridges within the state that are included within FHWA's bridge inventory are also eligible. All mass transportation capital projects that would otherwise be eligible to receive federal funding are MTFC eligible projects (see Appendices for Eligible Projects).

Some examples of approved projects include:

- Interchange/Overpass Projects
- Highway 63 and Highway 36 Widening
- Bi-State Buses
- St. Louis Gateway Center
- Acceleration of Cost Share Projects Between MoDOT and Local/Private Entities

Board Members

An eight member Board of Directors administers the MTFC (see Appendices for MTFC Organizational Chart). The Board consists of the following:

- Three members of the Commission
- Three MoDOT positions - Director, Chief Financial Officer and Multimodal Director
- Two non-MoDOT members with expertise in business and/or finance

The following are the officers of the MTFC:

- President – MoDOT Commissioner
- Vice President – MTFC Board Member
- Secretary – MoDOT Commission Secretary
- Treasurer – Financial Services Director
- Assistant Treasurer – Financial Services Staff
- Executive Director – Chief Financial Officer

The President and Vice President must be members of the Board of Directors.

Meeting Structure

The MTFC meets approximately four times a year and the meetings are scheduled approximately a year in advance. These meetings are usually scheduled in conjunction with the Commission meetings.

One of the four scheduled meetings, generally the meeting closest to the end of the state fiscal year, is considered the annual meeting. The Board of Directors' and Officers' terms are renewed at the annual meeting (see Appendices for the Bylaws, Article IV, Section 2). One of the two non-MoDOT Board of Directors' two-year term expires at every annual meeting and a replacement or term renewal is requested. The remaining Board members' terms are renewed for another year so long as they are employed at MoDOT. The election of officers for a one-year term is also conducted at the annual meeting (see Appendices for the Bylaws, Article III, Section 6).

The subsequent year's budget is also presented to the Board at the annual meeting. According to the bylaws, at least 45 days prior to the end of each fiscal year, the Executive Director shall prepare and submit the annual budget to the board for approval (see Appendices for the Bylaws, Article VI).

A MTFC meeting is held in October or November to allow for the results of the financial audit to be presented to the Board. According to the Cooperative Agreement, the Corporation agrees to conduct an annual independent financial and compliance audit of the SIB and the operations of the SIB (see Appendices for the Cooperative Agreement, Article IV, Section 4.3).

A MTFC meeting consists of approving the prior meeting minutes, considering loan requests and an Executive Director's report.

A majority of the Board of Directors is required to constitute a quorum for the transaction of business at all meetings. Each director present at any meeting shall be entitled to cast one vote on each matter presented for a decision (see Appendices for Bylaws, Article IV, Section 8 and 10).

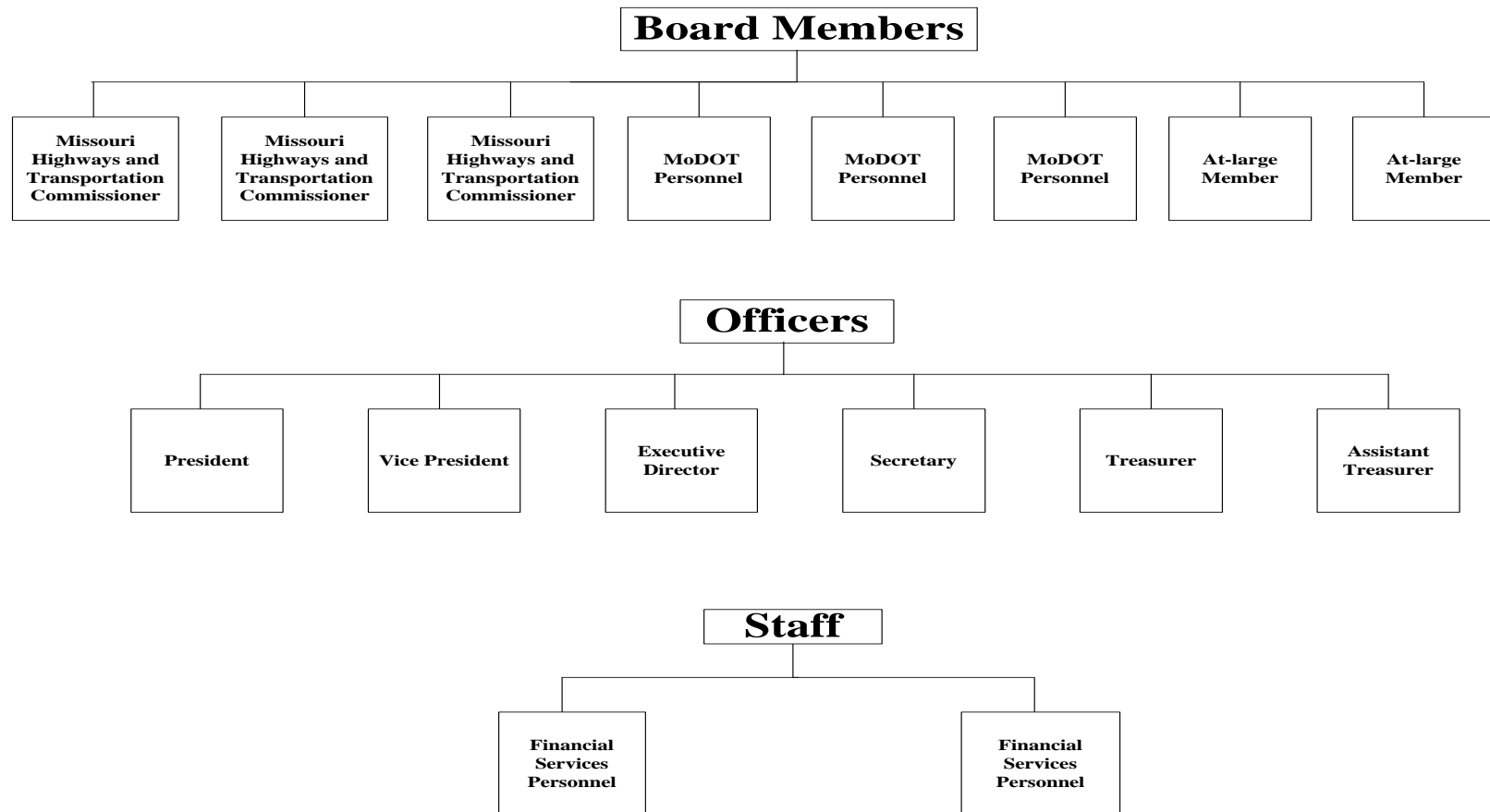
Loan Approval Process

The Financial Services staff will negotiate and seek initial agreement from the borrower of the loan terms. The staff will draft the loan's terms and conditions and will determine from a credit and security point of view, if they are adequate or inadequate. Additionally, the staff will review the loan for overall policy compliance and make a recommendation to the Board to approve or deny the loan. Each of the eight Board members has one vote. See Appendices for Loan Policy, Section 12.

Appendices

- **MTFC Organizational Chart** – A diagram of the MTFC organizational structure.
- **Articles of Incorporation** – A legal document identifying the terms under which the Corporation was created.
- **Bylaws** – Rules adopted by the Corporation for internal administration and management.
- **Cooperative Agreement** – Written consent between a state and the federal government used to define the process of SIB implementation. The agreement outlines the basic structure and purpose of the SIB and roles of each party, and sets forth how the funds of the SIB will be administered.
- **TEA-21 Cooperative Agreement** – Authorization for only California, Florida, Missouri and Rhode Island to request a revision of their existing SIB agreements to incorporate the TEA-21 provisions.
- **Loan Policy** – Guidelines established for approving and disbursing loans.
- **Investment Policy** – Guidelines established for the investment of funds.
- **Eligible Projects** – Activities listed under Title 23 and Title 49, United States Code

Missouri Transportation Finance Corporation (MTFC) Organizational Chart



AUG 23 1996

ARTICLES OF INCORPORATION
OF THE
MISSOURI TRANSPORTATION FINANCE CORPORATION
(A GENERAL NONPROFIT CORPORATION)

Rebecca McDowell Cook
SECRETARY OF STATE

The undersigned,

**Name of
Incorporator**

Address

Joe Mickes

Missouri Highway & Transportation
Department
Capitol and Jefferson Streets
P. O. Box 270
Jefferson City, MO 65102

being a natural person of the age of eighteen years or more and a citizen of the United States, for the purpose of forming a nonprofit corporation under the provisions of Chapter 355 of the Revised Statutes of Missouri, as amended (the "Missouri Nonprofit Corporation Act"), does hereby adopt, as incorporator, the following Articles of Incorporation:

ARTICLE I

NAME

The name of the corporation is:

MISSOURI TRANSPORTATION FINANCE CORPORATION

ARTICLE II

PUBLIC BENEFIT

This corporation is a Public Benefit Corporation.

ARTICLE III

DURATION

The period of duration of the corporation is perpetual.

AUG 23 1996

ARTICLE IV

REGISTERED AGENT

Rebecca McDaniel Clark
SECRETARY OF STATE

The address of its initial registered office in the State of Missouri is 105 West Capitol, P.O. Box 270, Jefferson City, MO, 65102 and the name of its initial registered agent at said address is Mari Ann Winters.

ARTICLE V

INITIAL BOARD OF DIRECTORS

The first board of directors of the corporation shall be five (5) in number, their names and addresses being as follows:

<u>Name</u>	<u>Address</u>
Robert E. Jones	13100 Manchester Road Des Peres, Missouri 63131
H. Mark Preyer	102 Slicer P.O. Box 189 Kennett, Missouri 63857
Joe Mickes	Capitol and Jefferson Streets P.O. Box 270 Jefferson City, MO 65102
David DeWitt	Capitol and Jefferson Streets P.O. Box 270 Jefferson City, MO 65102
Mel Sundermeyer	Capitol and Jefferson Streets P.O. Box 270 Jefferson City, MO 65102

ARTICLE VI

AUG 23 1996

PURPOSES

Rebecca McDowell Cook
SECRETARY OF STATE

The purposes for which the corporation is organized are:

(a) To benefit and carry out the purposes of the Missouri Highways and Transportation Commission (the "Commission") by providing, or assisting in the provision of, the funding, establishment, acquisition, development, promotion, planning, design, construction, improvement, acquisition, maintenance or operation of transportation projects, facilities, equipment and systems in the State of Missouri.

(b) To cooperate with the Commission toward the continued economic, social, industrial, cultural and commercial growth of the State of Missouri, act in the public interest and promote the health, safety and general welfare of the citizens of the State of Missouri by providing financing and other assistance to public and private entities carrying out or proposing to carry out transportation projects in the State of Missouri.

(c) To issue revenue bonds and refunding revenue bonds for the purposes set forth herein.

(d) To secure and obtain to the extent authorized by law rights-of-way for transportation projects.

(e) To perform functions normally undertaken by the Commission and its staff, thus reducing the burdens and demands on limited funds available to the Commission.

(f) To act exclusively for charitable purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law).

(g) To operate exclusively for the benefit of, to perform the functions of, or to carry out the purposes of, the Commission. The corporation is not organized, nor will it be operated, for the benefit of, or to perform the functions of, or to carry out the purposes of, any other person, organization or entity.

(h) To perform any other lawful activity permitted by the Missouri Nonprofit Corporation Act.

ARTICLE VII

NONPROFIT STATUS

1. The corporation shall be a nonprofit corporation, organized under the Missouri Nonprofit Corporation Act, and no part of the net earnings or other assets of the corporation shall

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inure to the benefit of, or be distributable to, any director, officer, contributor, or other private person, having, directly or indirectly, any personal or private interest in the activities of the corporation, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article VI hereof.

2. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.

3. Notwithstanding any other provision of these Articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law), or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law).

ARTICLE VIII

POWERS

The corporation shall have all the powers of a nonprofit corporation enumerated in the Missouri Nonprofit Corporation Act, to be exercised only to prosecute and further its nonprofit purposes; provided, however, that none of the powers of the corporation shall be exercised to engage in activities, otherwise than as an insubstantial part of its activities, which are not in themselves in furtherance of the civic, social welfare and charitable purposes of the corporation.

ARTICLE IX

NO CAPITAL STOCK OR MEMBERS

The corporation shall not have authority to issue capital stock and shall not have any members as such but, in lieu thereof, shall have only a self-perpetuating board of directors, in which board there shall be vested all of the power and authority to supervise, control, direct and manage the property, affairs and activities of the corporation. The rights, powers and privileges of the directors shall be fixed in the bylaws. The first board of directors shall be as set forth in Article V hereof and shall hold office until their successors are duly elected and qualified as provided in the bylaws. The number of members of the board of directors shall be fixed by the bylaws, as amended from time to time at any time after the adoption of the initial bylaws, but in no event shall such number be less than three (3). Directors shall be elected or appointed in the manner and for the terms as provided in the bylaws.

AUG 23 1996

ARTICLE X

LIABILITY AND INDEBTEDNESS

Rebecca McDowell
SECRETARY OF STATE

No officer or director of this corporation shall be individually or personally liable for the debts, liabilities or obligations of the corporation. Bonds, notes or other obligations issued by the corporation shall not be a debt of the Commission, and the Commission shall not be liable thereon. In no event shall such bonds, notes or other obligations be payable out of any funds or properties other than those acquired for the purposes of the corporation, and such bonds, notes or other obligations shall not constitute an indebtedness of the Commission, within the meaning of any constitutional or statutory debt limitation or restriction. The corporation shall issue no bonds, notes or other obligations until, in each case, the Commission adopts a resolution approving each specific issuance of obligations.

ARTICLE XI

DISSOLUTION

1. Upon dissolution of the corporation and after payment of all debts and satisfaction of all liabilities and obligations of the corporation (or making adequate provision therefor), and after the return, transfer or conveyance thereof because of the dissolution of the corporation, any remaining assets of the corporation shall be disposed of exclusively for the civic, social welfare and charitable purposes of the corporation by distributing such assets to the Commission, if then in existence, and, if not in existence, then to its successor or successors, provided that such successors be governmental units or organizations organized and operated exclusively for civic, social welfare and charitable purposes as shall at the time qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law).

2. If no such successor is then in existence, any remaining assets shall be distributed to such organization or organizations organized and operated exclusively for civic, social welfare and charitable purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law).

3. All distributions upon dissolution shall be in accordance with a plan of distribution duly adopted in the manner provided by law; provided, however, that no distribution shall be made (i) which would violate the statutes of Missouri then in effect, or (ii) except in furtherance of the civic, social welfare and charitable purposes of the corporation.

4. The foregoing shall constitute the plan of distribution upon dissolution of the corporation.

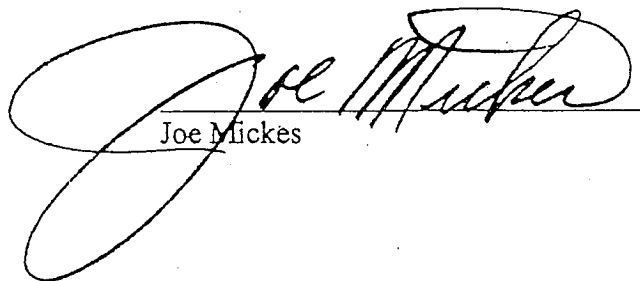
ARTICLE XII

AMENDMENTS

These Articles of Incorporation may be amended in the manner now or hereafter prescribed by the Missouri Nonprofit Corporation Act, but only upon (i) the affirmative vote of a majority of the entire number of directors then fixed by the bylaws; and (ii) the approval of the Commission. The bylaws of the corporation may from time to time be altered, amended, suspended or repealed, or new bylaws may be adopted, by resolution adopted by a majority of (a) the entire number of directors then fixed by the bylaws, and (b) the Commission.

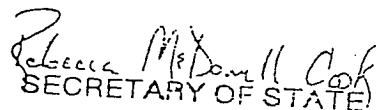
IN WITNESS WHEREOF, the undersigned has signed these Articles of Incorporation this 22nd day of August, 1996.

INCORPORATOR


Joe Mickes

FILED AND CERTIFICATE OF
INCORPORATION ISSUED

AUG 23 1996


REBECCA McDOWELL COOK
SECRETARY OF STATE

ACKNOWLEDGMENT

STATE OF MISSOURI)
) SS.
COUNTY OF COLE)

I, the undersigned, a Notary Public in and for said State, do hereby certify that on this 22nd day of August, 1996, personally appeared before me Joe Mickes, who being by me first duly sworn, declared that he is the person who signed the foregoing document as incorporator, and that the statements therein contained are true, and acknowledged that he executed said document as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal.

Margaret K. Bellman
Notary Public - State of Missouri Commissioned in
Cole County

My commission expires: 11-19-98

FILED AND CERTIFICATE OF
INCORPORATION ISSUED

AUG 23 1996

Rebecca McDowell Cook
SECRETARY OF STATE

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF INCORPORATION

MISSOURI NONPROFIT

WHEREAS, DUPLICATE ORIGINALS OF ARTICLES OF INCORPORATION OF
MISSOURI TRANSPORTATION FINANCE CORPORATION

HAVE BEEN RECEIVED AND FILED IN THE OFFICE OF THE SECRETARY OF
STATE, WHICH ARTICLES, IN ALL RESPECTS, COMPLY WITH THE
REQUIREMENTS OF MISSOURI NONPROFIT CORPORATION LAW;

NOW, THEREFORE, I, REBECCA MCDOWELL COOK, SECRETARY OF STATE
OF THE STATE OF MISSOURI, BY VIRTUE OF THE AUTHORITY VESTED IN
ME BY LAW, DO HEREBY CERTIFY AND DECLARE THIS ENTITY A BODY
CORPORATE, DULY ORGANIZED THIS DATE AND THAT IT IS ENTITLED TO
ALL RIGHTS AND PRIVILEGES GRANTED CORPORATIONS ORGANIZED UNDER
THE MISSOURI NONPROFIT CORPORATION LAW.

IN TESTIMONY WHEREOF, I HAVE SET MY
HAND AND IMPRINTED THE GREAT SEAL OF
THE STATE OF MISSOURI, ON THIS, THE
23RD DAY OF AUGUST, 1996.

Rebecca McDowell Cook
Secretary of State

\$25.00



ELEVENTH AMENDED AND RESTATED

BYLAWS

of the

MISSOURI TRANSPORTATION FINANCE CORPORATION

ARTICLE I

OFFICES, RECORDS, SEAL

1. Offices.

a. *Registered Office and Registered Agent.* The Corporation shall have and continuously maintain a registered office and a registered agent, whose office must at all times be identical with the registered office. The address of the initial registered office and the name of the initial registered agent shall be as stated in the Articles of Incorporation. The Board of Directors may, from time to time, change the address of the registered office or the identity of the registered agent by complying with the applicable provisions of Chapter 355 of the Revised Statutes of Missouri, as amended (the "Missouri Nonprofit Corporation Act").

b. *Principal Office.* The principal office of the Corporation shall be located within Cole County, Missouri, at such place as may from time to time be designated by the Board of Directors.

2. **Records.** The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board of Directors and each committee of the Board of Directors. The Corporation shall keep at its principal office, or at its registered office, a record of the name and place of residence of each director and each officer.

3. **Seal.** The Board of Directors shall adopt, and may alter at pleasure, a corporate seal, which shall have inscribed thereon the name of the Corporation and the words: Corporate Seal--Missouri. The corporate seal may be used by causing it, or a facsimile thereof, to be impressed or affixed or to be in any other manner reproduced.

ARTICLE II

PURPOSES

1. **Purposes Stated in Articles.** The purposes of the Corporation shall be those purposes stated in the Articles of Incorporation.

2. **Nonprofit Corporation.** The Corporation shall be a nonprofit Corporation and no part of the net earnings or other assets of the Corporation shall inure to the benefit of any director, contributor, officer or other private individual having, directly or indirectly, any personal or private interest in the activities of the Corporation.

ARTICLE III

BOARD OF DIRECTORS

1. **Directors in Lieu of Members or Shareholders.** The Corporation shall not have members or shareholders as such but, in lieu thereof, shall have only a self-perpetuating Board of Directors.

2. **Powers of Board of Directors.** The Board of Directors shall have and is vested with all and unlimited powers and authorities, except as it may be expressly limited by law, the Articles of Incorporation or these Bylaws, to supervise, control, direct and manage the property, affairs and activities of the Corporation, to determine the policies of the Corporation, to do or cause to be done any and all lawful things for and on behalf of the Corporation, to exercise or cause to be exercised any or all of its powers, privileges or franchises, and to seek the effectuation of its objects and purposes; provided, however, that (i) the Board of Directors shall not authorize or permit the Corporation to engage in any activity not permitted to be transacted by the Articles of Incorporation, (ii) none of the powers of the Corporation shall be exercised to carry on activities, otherwise than as an insubstantial part of its activities, which are not in themselves in furtherance of the purposes of the Corporation, and (iii) all income and property of the Corporation shall be applied exclusively for its nonprofit purposes and shall not inure to the benefit of any private entity or person.

3. **Number of Directors; Qualification.** The number of directors of the Corporation to constitute the Board of Directors shall be eight (8). The number of directors may be increased or decreased by amendment to these Bylaws, in accordance with the Missouri Nonprofit Corporation Act; provided, however, that the number of directors shall in no event be less than three (3). Each director shall be a resident of the State of Missouri.

4. **Initial Board of Directors.** The initial Board of Directors shall be those persons named in the Articles of Incorporation. Each such director shall hold office until such director's term expires, or until such director's successor is duly elected and has commenced his or her term of office, whichever is later. Thereafter, the directors shall be elected in the manner and for the terms provided for in Paragraph 6 of this Article III.

5. **Commencement of Term of Office of Directors.** A director shall not be deemed to have commenced his or her term of office or to have any of the powers or responsibilities of a director (i) unless such director is qualified to act as such, and (ii) until the time such director accepts the office of director either by a written acceptance or by participating in the affairs of the Corporation at a meeting of the Board of Directors or otherwise.

6. Election of New Directors/Terms.

a. *Groups.* The directors shall at all times be divided into three (3) groups. Group 1 shall consist of three (3) of the then current members of the Commission each of whom shall be elected by the Commission. Group 2 shall consist of three (3) employees of the Missouri Department of Transportation being the Director, Chief Financial Officer, and Director of Multimodal Operations who shall serve as members of the Board of Directors by virtue of their positions without further action of the Commission. Group 3 shall consist of two (2) at large members with knowledge in the field of business or finance elected by the Commission.

b. *Election.* The Commission shall elect, by a majority vote, directors to replace any director(s) in Groups 1 and 3 whose term is expiring. Any director whose term is about to expire may be elected to succeed himself or herself.

c. *Terms.* Each new director in Group 1 and Group 2 shall serve a term so long as they hold such office or position. Each new director in Group 3 shall serve for a term of two (2) years.

7. **Vacancies.** Vacancies among the directors resulting from the death, resignation, removal, incapacity or disqualification of a director, or by reason of an increase in the number of directors or the failure of an elected director to accept the office of director, shall be filled in the manner provided in Paragraph 6 of this Article III, at a future meeting of the Commission or at a special meeting called for that purpose. A director elected to fill a vacancy shall meet the qualifications set forth in these Bylaws, and shall serve until such director's successor has been duly elected and has commenced his or her term of office.

8. **Compensation of Directors.** No director shall receive compensation from the Corporation for any service such director may render to it as a director. A director may be reimbursed for his or her actual expenses reasonably incurred in and about such director's performance of his or her duties as a director.

9. **Committees.** Committees not having the authority of the Board of Directors in the management of the Corporation may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Each such committee shall have such duties and authority as are from time to time delegated to it by the Board of Directors. The designation of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon such Board or member by law.

The Board of Directors shall have no authority to appoint an executive committee or any other committee having the authority of the Board of Directors.

10. **Resignation of Directors.** Any director may resign from the Board of Directors. Such resignation shall be in writing addressed to the Secretary of the Commission and shall be effective immediately or upon its acceptance by the Commission as such resignation may provide.

11. Removal. Any director may be removed from office for willful neglect of office, failure to carry out the duties and responsibilities assigned to said director, or willful violation of the Articles of Incorporation, these Bylaws, or any rules and/or regulations of the Corporation adopted by the Board of Directors with Commission approval. Removal shall be accomplished by the Board of Directors pursuant to the following procedure:

a. The Board of Directors shall adopt a resolution of notice and intent to remove, which must be adopted by a majority of the directors present (other than the director sought to be removed) at any meeting of the Board of Directors, provided a quorum is present.

b. The director subject to removal shall be accorded the opportunity for a fair and impartial hearing before the remaining directors.

c. Following the hearing, removal from office shall be effected by an affirmative vote of two-thirds of the directors present at any regular or special meeting of the Board with Commission approval. In the event of the removal of a director under the provisions of these Bylaws, said removal shall automatically terminate such director's tenure as a member of the Board of Directors.

As an alternative to the procedures for removal specified above, a director may be removed with or without cause upon adoption of a resolution to such effect by the Commission.

ARTICLE IV

MEETINGS

1. Place. Meetings of the Board of Directors of the Corporation shall be held at the principal office of the Corporation, as designated by the Board of Directors, or at any other place within the State of Missouri, as may be determined from time to time by resolution of the Board or by written consent of the members thereof.

2. Annual Meetings. The annual meeting of the Board of Directors shall be held at such time and place as may be determined by resolution of the Board. Notice of an annual meeting shall be given to each newly appointed director and to each director who shall continue in office not less than five (5) days before the date of the annual meeting.

3. Regular Meetings. In addition to the annual meeting, the Board of Directors may hold regular meetings at such time and place as may be determined from time to time by resolution of the Board. Notice of a regular meeting need not be given to directors. Any business may be transacted at a regular meeting.

4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place and for any purpose or purposes. Special meetings may be called by the President, the Vice President or by the Secretary or by a majority of the Board of Directors by notice duly given by the officer or directors calling the same in the manner hereinafter provided.

5. Notice of Special Meetings. Written notice stating the place, day and hour of a special meeting and the purpose or purposes for which the meeting is called shall be delivered to each director not less than five (5) days before the date of the meeting, either personally or by mail, by or at the direction of the officer or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at such director's address as it appears on the records of the Corporation, with postage thereon prepaid.

6. Waiver of Notice. Any notice provided or required to be given to the directors may be waived in writing by any of them whether before or after the time stated therein. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting except where the director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

7. Public Notice. Notice of the time, date, place and tentative agenda of each meeting of the Board of Directors shall be posted on a bulletin board or other prominent place which is easily accessible to the public and clearly designated for posting notices at the principal office of the corporation or, if no such office exists, at the office of the Commission's Secretary at least 24 hours prior to the commencement of the meeting. Such notice shall be made available to any representative of the news media who requests notice of a particular meeting. Any additional notice required from time to time by applicable law shall also be given.

8. Quorum. The presence of a majority of the Board of Directors shall be requisite for and shall constitute a quorum for the transaction of business at all meetings. Vacant positions are not counted in determining a majority of the Board of Directors; provided, however, that in no event shall a quorum consist of less than four members of the whole Board of Directors. The act of a majority of the directors present at a meeting at which a quorum is present shall be valid as the act of the Board of Directors except in those specific instances in which a larger vote may be required by law, the Articles of Incorporation or these Bylaws.

9. Adjournment. Whether or not a quorum shall be present at any such meeting, the directors present shall have power successively to adjourn the meeting, without notice, or publication of notice, other than announcement at the meeting, to a specified date. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which could have been transacted at the original session of the meeting.

10. Voting. Each director present at any meeting shall be entitled to cast one vote on each matter coming before such meeting for decision. If a roll call is taken, all votes shall be recorded so as to attribute each "aye" and "nay" vote, or abstinence if not voting, to the name of the respective director.

11. Meetings Conducted By Electronic Communication. Section 610.010(5) of the Revised Statutes of Missouri sets forth the types of electronic communication by which a public meeting may be conducted in lieu of an in person meeting of the Board of Directors to discuss or decide public business or to formulate public policy. The types of electronic communication include, but are not limited to, conference call, video conference, facsimile transmission, Internet

chat or Internet message board. A public meeting shall be conducted by electronic communication only by approval of a majority of the members of the Board of Directors. Any action taken at a public meeting conducted by electronic communication shall be performed consistent with the provisions in subsection 8 of this article. Notice for such meetings conducted by electronic communication shall designate a place where members of the public may attend for purposes of complying with Chapter 610 of the Revised Statutes of Missouri, as amended.

ARTICLE V

OFFICERS

1. **General.** The officers of the Corporation shall be a President, Vice President, a Secretary, a Treasurer and such other officers as the Board of Directors may elect, including but not limited to Assistant Secretaries and Assistant Treasurers. The President shall be from Group 1 provided in Paragraph 6 of Article III and shall be appointed by the Commission Chairman. All other officers will be elected by the Board of Directors provided in Paragraph 2 of Article V. The President and the Vice President shall at all times while holding such offices be members of the Board of Directors. The Secretary and the Treasurer may be, but are not required to be, members of the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

2. **Election and Terms of Office Other than President.** Initially, the officers shall be elected by the Board of Directors named in these Bylaws at the first meeting of that body, to serve at the pleasure of the Board until the first annual meeting of the Board and until their successors are duly elected and qualified.

At the first and each subsequent annual meeting of the Board of Directors, the Board shall elect officers to serve at the pleasure of the Board until the next annual meeting of the Board and until their successors are duly elected and qualified.

An officer shall be deemed qualified when such officer enters upon the duties of the office to which such officer has been elected or appointed and furnishes any bond required by the Board of Directors or these Bylaws; but the Board may also require of such person a written acceptance and promise faithfully to discharge the duties of such office.

The term of office of each officer of the Corporation holding office at the pleasure of the Board of Directors shall terminate at the annual meeting of the Board next succeeding his or her election or appointment and at which any officer of the Corporation is elected or appointed unless the Board provides otherwise at the time of his or her election or appointment.

3. **Removal.** Any officer or any employee or agent of the Corporation may be removed or discharged by the Board of Directors with Commission approval whenever in its judgment, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

If for any reason any officer who is also a member of the Board of Directors ceases to be a member, then such officer shall automatically be removed from office in the Corporation.

4. Compensation of Officers. No officer who is also a member of the Board of Directors shall receive any salary or compensation from the Corporation for any services such officer may render to it as an officer. Salaries and compensation of all other officers, agents and employees of the Corporation, if any, may be fixed, increased or decreased by the Board of Directors, but until action is taken with respect thereto by the Board of Directors, the same may be fixed, increased or decreased by the President, or such other officer or officers as may be empowered by the Board of Directors to do so; provided, however, that no person may fix, increase or decrease his or her own salary or compensation. Each officer may be reimbursed for such officer's actual expenses if they are reasonable and incurred in connection with the purposes and activities of the Corporation.

5. Vacancies. Vacancies caused by the death, resignation, incapacity, removal or disqualification of an officer of the Corporation except for the President shall be filled by the Board of Directors at any annual or other regular meeting or at any special meeting called for that purpose, and such person or persons so elected to fill any such vacancy shall serve at the pleasure of the Board until the next annual meeting of the Board, and until such officer's successor is duly elected and qualified.

6. The President. The President shall be the chief executive officer of the Corporation, shall have such general executive powers and duties of supervision and management as are usually vested in the office of the chief executive officer of a Corporation, and shall carry into effect all directions and resolutions of the Board of Directors. The President shall preside at all meetings of the Board of Directors at which he or she may be present.

The President may execute all bonds, notes, debentures, mortgages, and other contracts requiring a seal, under the seal of the Corporation and may cause the seal to be affixed thereto, and all other instruments for and in the name of the Corporation.

The President shall have the right to attend any meeting of any committee of the Board of Directors and to express his or her opinion and make reports at such meeting; provided, however, that unless the President shall be specifically appointed to any committee, the President shall not be considered to be a committee member or have the right to vote or be counted for the purpose of determining a quorum at any such meeting.

The President shall have such other duties, powers and authority as may be prescribed elsewhere in these Bylaws or by the Board of Directors.

7. The Vice President. The Vice President shall work in cooperation with the President and shall perform such duties as the Board of Directors may assign to him or her. In the Event of the death, and during the absence, incapacity, inability or refusal to act of the President, the Vice President shall be vested with all the powers and perform all of the duties of the office of President. In the absence of the President, the Vice President shall preside at all meetings of the Board of Directors at which he or she may be present. The Vice President shall

have such other or further duties or authority as may be prescribed elsewhere in these Bylaws or from time to time by the Board of Directors.

8. The Secretary. The Secretary shall attend the meetings of the Board of Directors and shall record or cause to be recorded all votes taken and the minutes of all proceedings in the minute book of the Corporation to be kept for that purpose. The Secretary shall perform like duties for any committee established pursuant to these Bylaws when requested by such committee to do so. The Secretary shall be the custodian of all the books, papers and records of the Corporation and shall, at such reasonable times as may be requested, permit an inspection of such books, papers and records by any director of the Corporation. The Secretary shall upon reasonable demand furnish a full, true and correct copy of any book, paper or record in his or her possession. The Secretary shall be the administrative and clerical officer of the Corporation under the supervision of the President and the Board of Directors.

The Secretary shall keep in safe custody the seal of the Corporation and when authorized to do so shall affix the same to any instrument requiring the seal, and when so affixed, the Secretary shall attest the same by his or her signature.

The Secretary shall have the principal responsibility to give or cause to be given notice of the meetings of the Board of Directors, but this shall not lessen the authority of others to give such notice as provided in these Bylaws.

The Secretary shall have the general duties, powers and responsibilities of a secretary of a Corporation and shall have such other or further duties or authority as may be prescribed elsewhere in these Bylaws or from time to time by the Board of Directors.

9. Treasurer. The Treasurer shall have supervision and custody of all moneys, funds and credits of the Corporation and shall cause to be kept full and accurate accounts of the receipts and disbursements of the Corporation in books belonging to it. The Treasurer shall keep or cause to be kept all other books of account and accounting records of the Corporation as shall be necessary, and shall cause all moneys and credits to be deposited in the name and to the credit of the Corporation in such accounts and depositories as may be designated by the Board of Directors. The Treasurer shall disburse or supervise the disbursement of funds of the Corporation in accordance with the authority granted by the Board of Directors, taking proper vouchers therefor. The Treasurer shall be relieved of all responsibility for any moneys or other valuable property or the disbursement thereof committed by the Board of Directors to the custody of any other person or Corporation, or the supervision of which is delegated by the Board to any other officer, agent or employee.

The Treasurer shall render to the President or the Board of Directors, whenever requested by them, an account of all transactions as Treasurer and of those under the Treasurer's jurisdiction and the financial condition of the Corporation.

The Treasurer shall have the general duties, powers and responsibilities of a treasurer of a Corporation, shall be the chief financial and accounting officer of the Corporation and shall have and perform such other duties, responsibilities and authorities as may be prescribed from time to

time by the Board of Directors.

10. Assistant Secretary and Assistant Treasurer. Each Assistant Secretary or Assistant Treasurer, if any, in order of their seniority, in the event of the death, and during the absence, incapacity, inability or refusal to act of the Secretary or Treasurer, respectively, shall perform the duties and exercise the powers of said respective officers and perform such other duties as the Board of Directors may from time to time prescribe.

11. Other Agents. The Board of Directors from time to time may also appoint such other agents for the Corporation as it shall deem necessary or advisable, each of whom shall serve at the pleasure of the Board or for such period as the Board may specify, and shall exercise such powers, have such titles and perform such duties as shall be determined from time to time by the Board or by an officer empowered by the Board to make such determinations.

12. Duties of Officers May Be Delegated. If any officer of the Corporation be absent or unable to act, or for any other reason that the Board of Directors may deem sufficient, the Board may delegate, for the time being, some or all of the functions, duties, powers and responsibilities of any officer to any other officer, or to any other agent or employee of the Corporation or other responsible person, provided a majority of the whole Board of Directors concurs therein.

ARTICLE VI

EXECUTIVE DIRECTOR

The Board of Directors may appoint a person to exercise all of the powers and perform all of the duties set forth in this Article and shall designate such person so appointed as the Executive Director of the Corporation. The Executive Director shall have such general powers and duties of supervision and management as are usually vested in the office of the chief administrative officer of a corporation, and the Executive Director shall carry into effect all directions and resolutions of the Board of Directors. The Executive Director shall direct the day-to-day business of the corporation including supervising all employees of the Corporation, collecting any receivable, rentals, charges or fees, and keeping records in the form prescribed from time to time by the Board of Directors and reporting thereon whenever so requested by the Board of Directors. The Executive Director shall be directly responsible to the Board and shall report directly to the Board.

At least forty-five (45) days prior to the end of each fiscal year, the Executive Director shall cause to be prepared and shall submit to the Board of Directors for its approval an annual budget and all supplements thereto for the next fiscal year.

The Executive Director shall have the power to employ, remove and suspend all agents and employees not elected or appointed by the Board of Directors, to determine the duties and responsibilities of such appointees, to create such titles for such appointees as the Executive Director may deem desirable to enable the appointees to execute their duties and responsibilities,

and to fix and change the compensation of such appointees:

The Executive Director shall submit to the Board of Director at its annual meeting a report summarizing the operations and business of the corporation and its activities during the preceding year and setting forth the plans, programs or projects for future development, with such suggestions and recommendations as the Executive Director shall approve. The Executive Director shall also make such reports to the Board of Directors as the Executive Director may deem necessary, or which may be required by these Bylaws, or by the Board of Directors.

The Executive Director (if not a director) may be invited to attend any meeting of the Board of Directors and any committee thereof and to express his or her opinion and make reports at such meeting; provided, however, that in such event the Executive Director shall not be considered to be a director or committee member or have the right to vote or be counted for the purpose of determining a quorum at any such meeting.

The Executive Director shall be bonded unless the Board of Directors expressly waives the requirement of such bonding.

The Executive Director shall have such other and further duties and authority as may be prescribed elsewhere in these Bylaws or from time to time by the Board of Directors.

In the event the Board of Directors do not appoint an Executive Director or in the event of the death, and during the absence, incapacity, inability or refusal to act of the Executive Director, the Board of Directors or the President shall designate some other person to exercise, and in the absence of such designation the President shall exercise all of the powers and perform all of the duties of the Executive Director.

ARTICLE VII

GENERAL PROVISIONS

1. **Contracts.** The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation.

2. **Depositories and Checks.** The moneys of the Corporation shall be deposited in such manner as the Board of Directors shall direct in such banks or trust companies as the Board may designate and shall be drawn out by checks or drafts signed in such manner as may be provided by resolution adopted by the Board.

3. **Bonds.** The Board of Directors may require that any officer or employee handling money of the Corporation be bonded at the Corporation's expense, in such amounts as may be determined by the Board of Directors.

4. Custodian of Securities. The Board of Directors may from time to time appoint one or more banks or trust companies to act for reasonable compensation as custodian of all securities and other valuables owned by the Corporation, and to exercise in respect thereof such powers as may be conferred by resolution of the Board of Directors. The Board of Directors may remove any such custodian at any time.

5. Fiscal Year. The Board of Directors shall have the power to fix and, from time to time, change the fiscal year of the Corporation. In the absence of action by the Board of Directors, however, the fiscal year of the Corporation shall end each year on the date which the Corporation treated as the close of its first fiscal year, until such time, if any, as the fiscal year shall be changed by the Board of Directors.

6. Certain Loans Prohibited. The Corporation shall not make any loan to any officer or director of the Corporation. No loans shall be contracted on behalf of the Corporation and no evidence of any financial obligation shall be issued in its name unless authorized by a resolution of the Board of Directors.

7. Indemnification and Liability of Directors and Officers. Each person who is or was a director or officer of the Corporation (including the heirs, executors, administrators and estate of such person) shall be indemnified by the Corporation as of right to the full extent permitted or authorized by the laws of Missouri, as now in effect and as hereafter amended, against any liability, judgment, fine, amount paid in settlement, cost and expense (including attorneys' fees) asserted or threatened against and incurred by such person in such person's capacity as or arising out of such person's status as a director or officer of the Corporation. The indemnification provided by this Bylaw provision shall not be exclusive of any other rights to which those indemnified may be entitled under any other bylaw provision or under any agreement, vote of disinterested directors or otherwise, and shall not limit in any way any right which the Corporation may have to make different or further indemnification's with respect to the same or different persons or classes of persons.

No person shall be liable to the Corporation for any loss, damage, liability or expense suffered by it on account of any action taken or omitted to be taken by such person as a director or officer of the Corporation if such person (i) exercised the same degree of care and skill as a prudent person would have exercised under the circumstances in the conduct of his or her own affairs, or (ii) took or omitted to take such action in reliance upon advice of counsel for the Corporation, or upon statements made or information furnished by directors, officers, employees or agents of the Corporation which such person had no reasonable grounds to disbelieve.

8. Absence of Personal Liability. The directors and officers of the Corporation are not individually or personally liable for the debts, liabilities or obligations of the Corporation.

9. Administrative Services. Pursuant to Section 3.3 of the Cooperative Agreement between the Commission, Missouri Transportation Finance Corporation, the Federal Highway Administration, the Federal Transit Administration and the Federal Railroad Administration, the Commission and the Corporation may use up to 2 percent of the Federal funds contributed to the State Infrastructure Bank (SIB) to cover program administrative costs of the SIB. The United

States Department of Transportation further clarified that loan interest can also be expended for reasonable administrative costs.

MoDOT shall provide administrative services to the Corporation under the supervision of the Treasurer and Assistant Treasurer. The administrative services to be provided by the MoDOT staff include, but are not limited to:

- a. Preparation of an annual budget for Board approval;
- b. Preparation of policies for Board approval;
- c. Preparation of loan documents for Board approval;
- d. Execution of banking transactions for all outstanding loans and operational needs;
- e. Preparation of professional services agreements for Board approval;
- f. Preparation of agenda and agenda backup for Corporation's annual and regular meetings when needed;
- g. Preparation and presentation of an annual report summarizing the operations and business of the Corporation and its activities during the preceding year and setting forth the plans, programs or projects for future development, with such suggestions and recommendations; and
- h. Implementation of the annual report's plans, programs and projects as approved by the Board.


ARTICLE VIII

AMENDMENTS

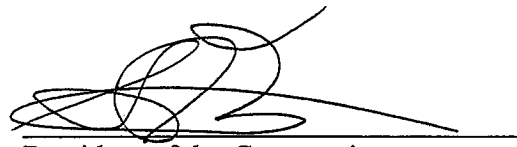
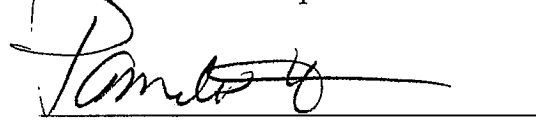
The bylaws of the Corporation may from time to time be altered, amended, suspended or repealed, or new bylaws may be adopted by a resolution adopted by the majority of (a) the entire number of directors then fixed by the bylaws, and (b) the Commission. The Corporation shall keep at its principal office a copy of the Bylaws, as amended, which shall be open to inspection by any Board member at all reasonable times during office hours.

CERTIFICATE

The foregoing Eleventh Amended and Restated Bylaws were duly adopted as and for the Bylaws of the Missouri Transportation Finance Corporation by the Missouri Highways and Transportation Commission of said Corporation at its March 5, 2014 meeting.


Chairman of the Commission
Secretary of the Commission

The foregoing Eleventh Amended and Restated Bylaws were duly adopted as and for the Bylaws of the Missouri Transportation Finance Corporation by the Board of Directors of said Corporation at its February 11, 2014 meeting.


President of the Corporation
Secretary of the Corporation

COOPERATIVE AGREEMENT

THIS COOPERATIVE AGREEMENT, made and entered into by and between the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA), agencies of the United States Department of Transportation (USDOT), the Missouri Highway and Transportation Commission (Commission), and the Missouri Transportation Finance Corporation (Corporation), a Missouri nonprofit corporation created under the Missouri Nonprofit Corporation Act;

WITNESSETH:

WHEREAS, the National Highway System Designation Act of 1995, P.L. 104-59, 23 U.S.C. Section 101 note, (the NHS Act) established a State Infrastructure Bank (SIB) Pilot Program which authorized the Secretary of the USDOT (the Secretary) to enter into Cooperative Agreements with up to ten states for the establishment of a SIB by each of those states; and

WHEREAS, on June 21, 1996, the Secretary announced that the State of Missouri (State) was one of the ten states designated to participate in the SIB Pilot Program; and

WHEREAS, the Commission is duly organized and existing under the laws of the State, including particularly Article IV, Sections 29, 30(b) and 30(c) of the Missouri Constitution and Chapter 226 of the Revised Statutes of Missouri, as amended, pursuant to which the Commission is vested with authority over all State transportation programs and facilities and is authorized to enter into this Cooperative Agreement on behalf of the State; and

WHEREAS, in order to provide the legal structure for the establishment of the SIB, the Commission authorized its Chief Engineer to proceed with the formation of a nonprofit corporation under the provision of Chapter 355 of the Revised Statutes of Missouri, as amended, (the "Missouri Nonprofit Corporation Act");

WHEREAS, on August 23, 1996, the Secretary of State for the State issued a Certificate of Incorporation certifying and declaring that the Missouri Transportation Finance Corporation had been duly organized under the laws of the State and was entitled to all rights and privileges granted corporations organized under the Missouri Nonprofit Corporation Act; and

WHEREAS, pursuant to the NHS Act, the Commission and the Corporation must enter into a Cooperative Agreement with the FHWA and the FTA regarding the establishment, funding and operation of the SIB in accordance with the NHS Act;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereto agree as follows:

ARTICLE I

ESTABLISHMENT OF STATE INFRASTRUCTURE BANK

Section 1.1 Designation of Entities. The Commission and the Corporation, 105 West Capitol, P.O. Box 270, Jefferson City, MO 65102 are the designated entities for the administration of the SIB program for the State and are lawfully authorized to administer the SIB in accordance with the requirements of the NHS Act, the applicable guidelines, policies and procedures issued and adopted thereunder from time to time by FHWA/FTA (collectively, the NHS SIB Guidelines), and Article IV of the Missouri Constitution and Chapters 226 and 355 of the Revised Statutes of Missouri, as amended, copies of which are attached as Exhibit A of this Cooperative Agreement.

Section 1.2 Authority. The Commission and the Corporation represent and warrant that they have the legal, managerial, technical and operational capabilities to administer the SIB. The Commission and the Corporation hereby certify that the State law, and the powers it confers on the Commission and nonprofit corporations such as the Corporation are consistent with the Constitution of the State and that the State, acting through the Commission and the Corporation, may legally bind itself to the terms of the Cooperative Agreement.

Section 1.3 Creation of Accounts. The Corporation agrees to create within the SIB a separate account to be designated as the Highway Account, a separate account to be designated as the Transit Account and a separate account to be designated as the Second Generation Account, each of which shall be dedicated solely to providing loans and other forms of financial assistance consistent with the NHS Act and permitted under the State's law. (The Highway Account, the Transit Account and the Second Generation Account are sometimes hereinafter referred to individually as an Account and, collectively, as the Accounts.) Amounts on deposit in the Accounts shall be invested in accordance with the provisions of subsection 350(e) of the NHS Act and the NHS SIB Guidelines. Earnings on amounts deposited in the Accounts shall be applied in accordance with the provisions of subsection 350 (e) of the NHS Act and the NHS SIB Guidelines.

ARTICLE II

FUNDING OF STATE INFRASTRUCTURE BANK

Section 2.1 FHWA/FTA Payments. FHWA agrees to make payments to the Commission for deposit in the SIB upon receipt of a properly completed request transmitted on the FHWA form within Exhibit B. Similarly, FTA agrees to make payments to the Commission for deposit in the SIB upon receipt of a properly completed request transmitted on the FTA form within Exhibit B. The Commission shall promptly transfer such funds to the Corporation and the Corporation shall deposit such funds into the appropriate SIB Account. Federal payments made under this Cooperative Agreement shall not exceed amounts authorized by subsection 350(b)(2) of the NHS Act or other legislation that may authorize such payment. The timing of deposits of Federal funds obligated pursuant to subsection 350(b)(2) and requested in the appropriate FHWA or FTA form of Exhibit B may be established by the Secretary in order to ensure compliance with

the requirements of subsection 350 (g)(1) of the NHS Act relating to the historic disbursement rates of the Federal-aid highway program and the Federal transit program.

Section 2.2. State Matching Requirement. As required by subsection 350(e)(1) of the NHS Act, on or before the date on which the Commission receives a Federal payment, the Commission shall deposit matching share funds (from non-Federal sources) into the Highway Account or the Transit Account, as applicable, of the Corporation in an amount equal to, or greater than, 25 percent of the amount of Federal payment, unless such matching share may be at a lower percentage as otherwise provided in subsection 350(e)(1) of the NHS Act.

ARTICLE III FINANCIAL ASSISTANCE

Section 3.1. Timely Employment of Funds. The Corporation agrees to employ funds deposited in the SIB in an expeditious and timely manner.

Section 3.2. Use of Funds. The Corporation agrees to provide only such financial assistance through the SIB that is authorized under section 350 of the NHS Act, the NHS SIB Guidelines, and applicable State law. If the financial assistance is not in the form listed in subsection 350(c) or subsections 350(l)(3)(A) through 350(l)(3)(F) of the NHS Act, then the Corporation shall request specific approval from FHWA or FTA, or both, as applicable of the form of assistance consistent with subsection 350(l)(3)(G) of the NHS Act.

Section 3.3. Special Rule for Urbanized Areas. The Commission and the Corporation agree, as required by subsection 350(a)(4) of the NHS Act, that the Highway Account will be capitalized with Federal funds otherwise apportioned or allocated to the State under subsection 104(b)(3) or section 160 of Title 23, United States Code, or under subsection 1013(c) or section 1015 of the Intermodal Surface Transportation Efficiency Act of 1991, and attributed to urbanized areas of over 200,000 in population, only if the metropolitan planning organization concurs, in writing, with the provision of such assistance.

Section 3.4. Administrative: Direct and Indirect Costs. The Commission and the Corporation may use up to 2 percent of the aggregate amount of disbursements made in each of Federal fiscal years 1996 and 1997 to cover program administration costs of the SIB for each such Federal fiscal year. These monies will be used for the reasonable costs of administering the SIB, as described in subsection 350(j) of the NHS Act. To the extent permitted by the NHS Act, program administration funds may also be used for the costs of servicing loans, federally capitalized SIB program start-up costs, financial, management and legal consulting fees, and reimbursement of costs for SIB related support services from other State agencies to the extent such costs and services relate to the SIB.

Section 3.5. Leveraging. As authorized by subsection 350(1)(3) of the NHS Act, the Corporation may implement a program to leverage deposits. The Federal funds and the associated State matching share from non-Federal sources may be used as a source of security for

bonds issued by the Corporation to finance or refinance loans made by the Corporation (or interests or participation therein) provided such activities comply with the NHS Act and the NHS SIB Guidelines.

Section 3.6. Project Agreements with Recipients. Before providing financial assistance for a project, the Corporation agrees to enter into a written project agreement (Project Agreement) to provide financial assistance through the SIB, which financial assistance shall be in a form permitted by subsection 350(c) of the NHS Act and shall be for a qualified project, as defined in subsection 350(d) of the NHS Act. The Project Agreement shall include interest rates, if applicable, repayment terms, a disbursement schedule, and any other fees, compensation, or other collateral offered by the recipient of the assistance and such other terms and provisions in accordance with the provisions of subsection 350(e) of the NHS Act and the NHS SIB Guidelines issued thereunder.

Section 3.7. Disbursements. The Corporation agrees to disburse funds from the SIB as project costs are refinanced or incurred, as set forth in the Project Agreement.

Section 3.8. Federal Authorities. The Commission and the Corporation agree that they and all recipients of financial assistance directly made available to the SIB pursuant to the provisions of the NHS Act will comply with all applicable Federal laws and regulations.

(a) **Special Requirements for FTA Projects.** For projects financed through the SIB's Transit Account, the Commission and the Corporation agree that they and all recipients of financial assistance directly made available to the SIB pursuant to the provisions of the NHS Act will also comply with all applicable requirements of the FTA Master Agreement for the fiscal year in which financial assistance is made, except that any requirement of the NHS SIB Guidelines, including current or future requirements of the Guidelines, or any Special Condition or Special Requirement to this Cooperative Agreement imposed by FTA that conflicts with a requirement of the FTA Master Agreement supersedes the conflicting requirement of the FTA Master Agreement.

Section 3.9. Use of Repayment Proceeds. The Corporation agrees that repayment proceeds and fees, compensation, or other collateral associated with SIB financial assistance derived from the Highway Account shall be used consistent with subsection 129(a)(7) of Title 23, United States Code, except to the extent the FHWA determines that such provisions are inconsistent with such requirements as provided by subsection 350(e)(4) of the NHS Act. FTA reserves the right to establish appropriate conditions concerning repayment proceeds and fees, compensation, or other collateral associated with SIB financial assistance derived from the Transit Account, consistent with the requirements of subsection 350(e)(4) of the NHS Act.

ARTICLE IV ACCOUNTING AND AUDIT PROCEDURES

Section 4.1. Accounting and Audit Procedures. The Corporation agrees to establish fiscal controls and accounting procedures sufficient to assure proper accounting for payments received and disbursements made through the SIB, and to provide SIB balances at the beginning and end of the accounting period and to demonstrate compliance with this Cooperative Agreement. The Corporation further agrees to use accounting, audit and fiscal procedures conforming to generally accepted accounting principals as promulgated by the Governmental Accounting Standards Board.

Section 4.2. SIB Assistance Recipient Accounting and Audit Procedures. The Corporation agrees that the Project Agreement will require each recipient to maintain project accounts in accordance with generally accepted accounting standards.

Section 4.3. Annual Compliance Audit. The Corporation agrees to conduct an annual independent financial and compliance audit of the SIB and the operations of the SIB. This audit may be conducted in accordance with the Single Audit Act of 1984 (See Office of Management and Budget Circular A-128, "Audits of State and Local Governments"). The Corporation agrees to complete the audit report within one year of the appropriate accounting period and submit it to both the FHWA and FTA Administrator at the Regional Office administering the project, with a copy sent to USDOT's Office of the Inspector General within 30 days of completion. FHWA or FTA will notify the Corporation within 90 days as to the technical adequacy of the audit report and its findings.

Section 4.4. Annual Report. The Commission and the Corporation agree to submit an Annual Report to the FHWA and FTA Administrator at the Regional Office administering the project, and make such report available to recipients of SIB financial assistance no later than 90 days after the end of the federal fiscal year. This report shall identify recipients of financial assistance, amounts of financial assistance, financial assistance interest and repayment terms, and project categories, with emphasis on how the state has met the goals set forth in its application and the financial condition of the Highway Account and the Transit Account.

Section 4.5. Other Documents. In addition to the Annual Report and Annual Audit, the Commission and the Corporation agree to provide promptly to FHWA, FTA, USDOT, or the Comptroller General of the United States (or representative thereof) any other records they may reasonably require.

Section 4.6. Records Retention. The Commission and the Corporation agree to maintain and retain all official project files relating to the SIB until all financial assistance has been repaid and necessary audits have been performed. Retention and ultimate disposition of SIB projects files shall be in accordance with State laws unless such period for retention conflicts with

the requirement above or the 3 year minimum requirement of 49 C.F.R. § 18.42, in which event, the later period of retention shall prevail.

ARTICLE V SANCTIONS AND COMPLIANCE

Section 5.1. Corrective Actions. If either FHWA or FTA determines that the Commission or the Corporation have not complied with the terms of this Cooperative Agreement, the requirements of the NHS Act or the NHS SIB Guidelines, FHWA or FTA (as applicable) will notify the Commission and the Corporation of the noncompliance and of the requested corrective action. The Commission and/or the Corporation agree to take appropriate corrective action or submit a compliance plan to both FHWA and FTA within 60 days.

Section 5.2. Remedies for Failure to Comply with this Cooperative Agreement. If the Commission or the Corporation fail to take corrective action, or provide an acceptable plan to correct any noncompliance, FHWA or FTA (as applicable) may withhold from future grant moneys available to the state under the provisions of Titles 23 or 49 of the United States Code and the Regulations promulgated thereunder, an amount equal to the total amount in dispute until the corrective action is taken or an acceptable plan provided.

ARTICLE VI EXECUTION, AMENDMENT, AND TERM OF AGREEMENT

Section 6.1 Designated Signatories. The following officials are authorized to enter into amendments to this Cooperative Agreement:

- (a) For the Commission: Joe Mickes, Chief Engineer
- (b) For the Corporation: H. Mark Preyer, President
- (c) For FHWA: Rodney E. Slater, Administrator
- (d) For FTA: Gordon J. Linton, Administrator

Section 6.2. Amendment. This Cooperative Agreement may be amended at any time by mutual agreement between the designated signatories in writing. Amendments shall be submitted in writing to all parties unless waived by any party. The receiving parties shall respond within 30 days approving such change or with written suggested changes. Items not significantly altering this Cooperative Agreement but changing implementation or review procedures, may be implemented through the agreement of the Chief Engineer of the Commission, the President of the Corporation and the Administrator of either FHWA or FTA, as applicable, or their designee.

Section 6.3. Effective Date. This Cooperative Agreement shall be in effect from and after its execution by all of the parties hereto.

Section 6.4. Termination. This Cooperative Agreement is prepared and executed in four (4) original counterparts and shall remain in effect until terminated in writing by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Cooperative Agreement to be executed by their respective officers or officials.

Executed by the Commission on the 23rd day of September, 1996.

**MISSOURI HIGHWAY AND
TRANSPORTATION COMMISSION**

ATTEST:

Mari Ann Hunter
Commission Secretary

By

Joe McKee, Chief Engineer

Approved as to Form:

Mark D. Heatter
Commission Counsel

Executed by the Federal Highway Administration on this _____ day of September, 1996.

**FEDERAL HIGHWAY
ADMINISTRATION**

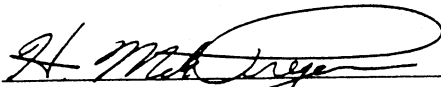
By

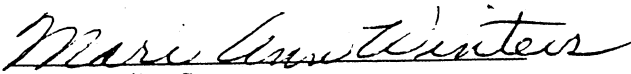
Rodney E. Slater, Administrator

Executed by the Corporation on the 19th day of September 1996.


**MISSOURI TRANSPORTATION
FINANCE CORPORATION**

ATTEST:

By 
H. Mark Preyer, President

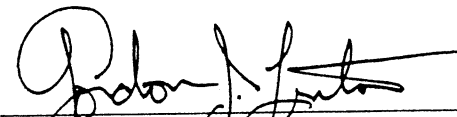

Corporation Secretary

Approved as to Form:


Counsel

Executed by the Federal Transit Administration on this 3 day of ~~September~~^{SEP}, 1996.

**FEDERAL TRANSIT
ADMINISTRATION**

By 
Gordon J. Linton, Administrator

09/17/96
MDW

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TEA 21 COOPERATIVE AGREEMENT

THIS COOPERATIVE AGREEMENT, made and entered into by and between the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA) and the Federal Railroad Administration (FRA), agencies of the United States Department of Transportation (USDOT), the Missouri Highway and Transportation Commission (Commission), and the Missouri Transportation Finance Corporation (Corporation) 105 West Capitol Avenue, P. O. Box 270, Jefferson City, MO 65102, a Missouri nonprofit corporation created under the Missouri Nonprofit Corporation Act;

WITNESSETH:

WHEREAS, Section 350 of the National Highway System Designation Act of 1995, P.L. 104-59, 23 U.S.C. 101 note (the NHS Act), established a state infrastructure bank pilot program which authorized the Secretary of the USDOT (the Secretary) to enter into cooperative agreements with up to ten states for the establishment of a state infrastructure bank (SIB) by each of those states; and

WHEREAS, on June 21, 1996, the Secretary announced that the State of Missouri (State) was one of the ten states designated to participate in the SIB pilot program; and

WHEREAS, the Commission is duly organized and existing under the laws of the State, is vested with authority over all State transportation programs and facilities and is authorized to enter into this Cooperative Agreement on behalf of the State; and

WHEREAS, in order to provide the legal structure for the establishment of the SIB, the Commission authorized the formation of a nonprofit corporation under the provision of Chapter 355 of the Revised Statutes of Missouri, as amended, (the "Missouri Nonprofit Corporation Act"); and

WHEREAS, on August 23, 1996, the Secretary of State for the State issued a Certificate of Incorporation certifying and declaring that the Missouri Transportation Finance Corporation had been duly organized under the laws of the State and was entitled to all rights and privileges granted corporations organized under the Missouri Nonprofit Corporation Act; and

WHEREAS, pursuant to the NHS Act, the Commission and the Corporation entered into a Cooperative Agreement (the NHS Cooperative Agreement) with the FHWA and the FTA regarding the establishment, funding and operation of the SIB in accordance with the NHS Act; and

WHEREAS, since the effective date of the NHS Cooperative Agreement, the Commission and the Corporation have operated the SIB in accordance with the NHS Act; and

WHEREAS, Section 1511(h)(2) of the Transportation Equity Act for the 21st Century (TEA 21) requires the Secretary to revise cooperative Agreements entered into with states under Section 350 of the NHS Act to comply with the requirements of Section 1511; and

WHEREAS, the parties hereto now desire to supersede the NHS Cooperative Agreement and enter into this Cooperative Agreement regarding the establishment, funding and operation of Missouri's SIB pursuant to Section 1511 of TEA 21;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereto agree as follows:

ARTICLE I STRUCTURE OF STATE INFRASTRUCTURE BANK

Section 1.1 Designation of Entities. The Commission and the Corporation are the designated entities for the administration of the SIB program for the State and are lawfully authorized to administer the SIB in accordance with the requirements of TEA 21, the applicable guidelines, policies and procedures issued and adopted thereunder from time to time by FHWA, FTA and FRA (collectively, the SIB Guidance), Article IV of the Missouri Constitution and Chapters 226 and 355 of the Revised Statutes of Missouri, as amended.

Section 1.2 Authority. The Commission and the Corporation represent and warrant that they have the legal, managerial, technical and operational capabilities to administer the SIB. The Commission and the Corporation hereby certify that the State law, and the powers it confers on the Commission and nonprofit corporations such as the Corporation are consistent with the Constitution of the State and that the State, acting through the Commission and the Corporation, may legally bind itself to the terms of this Cooperative Agreement.

Section 1.3 Effect on Prior NHS Cooperative Agreement. It is the intent of the parties hereto that, from and after the effective date of this Cooperative Agreement, the SIB operated by the Commission and the Corporation shall be funded and operated in accordance with this Cooperative Agreement and the applicable provisions of TEA 21. The NHS Cooperative Agreement previously entered into by the parties is hereby superseded by this Agreement.

Section 1.4 Transportation Account. The Corporation shall create within the SIB a separate account to be designated as the "Transportation Account". Funds credited to the Transportation Account shall be dedicated solely to providing loans and other forms of financial assistance consistent with TEA 21 and permitted under the State's law.

Section 1.5 Highway Account. The Corporation shall create within the SIB a separate account to be designated as the "Highway Account". Funds contributed to the SIB by the Commission from the State's State Road Fund shall be credited to the Highway Account and shall be dedicated solely to providing loans and other forms of financial assistance consistent

with TEA 21 for highway and bridge projects permitted under Article IV, Section 30(b) of the Missouri Constitution.

Section 1.6 Interstate Maintenance Account. In the event interstate maintenance funds apportioned to the State under 23 U.S.C. 104 (b)(4) are contributed by the Commission to the Corporation, the Corporation shall credit such funds to a separate account within the SIB to be designated as the "Interstate Maintenance Account." Funds credited to the Interstate Maintenance Account shall be dedicated solely to providing loans or other forms of financial assistance to projects eligible for assistance under 23 U.S.C. 104(b)(4) and section 1511 of TEA 21.

Section 1.7 Rail Account. In the event rail program funds made available to the State under subtitle V of title 49, United States Code, are contributed to the Corporation, the Corporation shall credit such funds to a separate account within the SIB which shall be designated as the "Rail Account". Funds credited to the Rail Account shall be used in a manner consistent with the law making the funds available to the State and section 1511 of TEA 21.

Section 1.8 NHS Accounts. The Transit Account and the Second Generation Account created under Section 1.3 of the NHS Cooperative Agreement shall be closed as of the effective date of this Cooperative Agreement and any funds on deposit in said accounts shall be transferred to the Transportation Account created under Section 1.4 of this Cooperative Agreement.

ARTICLE II FUNDING OF STATE INFRASTRUCTURE BANK

Section 2.1 FHWA/FTA/FRA Payments. FHWA, FTA and FRA agree to make payments to the Commission from authorized, available funds for deposit in the SIB. The request for funds shall be made on properly completed requests as set forth in the SIB Guidance. The Commission shall promptly transfer such funds to the Corporation and the Corporation shall deposit such funds into the appropriate SIB account. Federal payments made under this Cooperative Agreement shall not exceed amounts authorized by section 1511(h)(1) of TEA 21 or other legislation that may authorize such payment.

Section 2.2. State Matching Requirement. As required by section 1511(f)(1)(A) of TEA 21, on or before the date on which the Commission receives a Federal payment, the Commission shall deposit matching share funds (from non-Federal sources) into the Transportation Account, the Highway Account, or other account as applicable, of the Corporation in an amount equal to, or greater than, 25 percent of the amount of Federal payment, unless such matching share may be at a lower percentage as otherwise provided in section 1511(f)(1)(A) of TEA 21.

Section 2.3 Investment of Funds. Amounts on deposit in the Transportation Account, the Highway Account or other account as applicable, shall be invested in accordance with the provisions of section 1511(f)(1)(C) of TEA 21 and the SIB Guidance. Earnings on

amounts deposited in the Accounts shall be applied in accordance with the provisions of section 1511(f)(1)(C) and the SIB Guidance.

ARTICLE III FINANCIAL ASSISTANCE

Section 3.1. Use of Funds. The Corporation agrees to provide only such loans or other assistance through the SIB that are authorized under section 1511 of TEA 21, the SIB Guidance, applicable State law, or for any other project related to surface transportation that the Secretary determines to be appropriate. If the financial assistance is not in the form listed in section 1511 of TEA 21, then the Corporation shall request specific approval from FHWA, FTA or FRA as applicable, of the form of assistance consistent with section 1511 of TEA 21.

Section 3.2. Special Rule for Urbanized Areas. The Commission and the Corporation agree, as required by section 1511(c)(3) of TEA 21, that none of the accounts created by the Corporation may be capitalized with Federal funds otherwise apportioned or allocated to the State under subsection 104(b)(3) of Title 23, United States Code, and attributed to urbanized areas of over 200,000 in population, unless the metropolitan planning organization designated for the area concurs, in writing, with the provision of such assistance.

Section 3.3. Administrative Costs. The Commission and the Corporation may use up to 2 percent of the Federal funds contributed to the SIB to cover program administrative costs of the SIB. These monies will be used for the reasonable costs of administering the SIB, as described in section 1511 (l) of TEA 21.

Section 3.4. Leveraging. The Corporation may implement a program to leverage deposits. The Federal funds and the associated State matching share from non-Federal sources may be used as a source of security for bonds issued by the Corporation to finance or refinance loans made by the Corporation (or interests or participation therein) provided such activities comply with TEA 21 and the SIB Guidance.

Section 3.5. Project Agreements with Recipients. Before providing financial assistance for a project, the Corporation agrees to enter into a written project agreement (Project Agreement) to provide financial assistance through the SIB, which financial assistance shall be in a form permitted by section 1511(d) of TEA 21 and shall be for a qualified project, as defined in section 1511(e) of TEA 21. The Project Agreement shall include interest rates, if applicable, repayment terms, a disbursement schedule, and any other fees, compensation, or other collateral offered by the recipient of the assistance and such other terms and provisions in accordance with the provisions of TEA 21 and the SIB Guidance issued thereunder.

Section 3.6. Disbursements. The Corporation agrees to disburse funds from the SIB as project costs are incurred or refinanced, as set forth in the Project Agreement.

Section 3.7. Applicability of Federal Law. The Commission and the Corporation agree that they and all recipients of SIB financial assistance will comply with all applicable Federal laws and regulations as set forth in Section 1511(i) of TEA 21.

Section 3.8. Use of Repayment Proceeds. The Corporation agrees that the requirements of titles 23 and 49, United States Code, shall apply to repayments from non-federal sources made to the SIB. All applicable federal and state requirements shall apply to the use of such repayments by the SIB.

ARTICLE IV ACCOUNTING AND AUDIT PROCEDURES

Section 4.1. Accounting and Audit Procedures. The Corporation agrees to establish fiscal controls and accounting procedures sufficient to assure proper accounting for payments received and disbursements made through the SIB. The Corporation further agrees to use accounting, audit and fiscal procedures conforming to generally accepted accounting principals as promulgated by the Governmental Accounting Standards Board.

Section 4.2. SIB Assistance Recipient Accounting and Audit Procedures. The Corporation agrees that each Project Agreement will require the recipient or recipients to maintain project accounts in accordance with generally accepted accounting standards.

Section 4.3. Annual Compliance Audit. The Corporation agrees to conduct an annual independent financial and compliance audit of the SIB and the operations of the SIB. This audit may be conducted in accordance with the Single Audit Act Amendments of 1996 (See Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations"). The Corporation agrees to complete the audit report within one year of the appropriate accounting period and submit it to the FHWA, FTA and FRA Administrators, with a copy sent to USDOT's Office of the Inspector General within 30 days of completion.

Section 4.4. Biennial Report. The Commission and the Corporation agree to submit a Biennial Report as required by section 1511(f)(1)(G) of TEA 21 to the FHWA, FTA and FRA Administrators no later than 90 days after the end of the federal fiscal year for which a Biennial Report is due. This report shall conform with the requirements of TEA 21 and the SIB Guidance adopted thereunder from time to time.

Section 4.5. Other Documents. In addition to the Biennial Report and Annual Audit, the Commission and the Corporation agree to provide promptly to FHWA, FTA, FRA, USDOT, and/or the Comptroller General of the United States (or representative thereof) any other records they or any of them may reasonably require.

Section 4.6. Records Retention. The Commission and the Corporation agree to maintain and retain all official project files relating to the SIB until all financial assistance has been repaid and necessary audits have been performed. Retention and ultimate disposition of SIB projects files shall be in accordance with State laws unless such period for retention conflicts

with the requirement above or the 3 year minimum requirement of 49 C.F.R. § 18.42, in which event, the later period of retention shall prevail.

ARTICLE V

SANCTIONS AND COMPLIANCE

Section 5.1. Corrective Actions. If FHWA, FTA or FRA determines that the Commission or the Corporation has not complied with the terms of this Cooperative Agreement, the requirements of TEA 21 or the SIB Guidance, FHWA, FTA or FRA (as applicable) will notify the Commission, the Corporation and the other federal agencies of the noncompliance and of the requested corrective action. The Commission and/or the Corporation agree to take appropriate corrective action or submit a compliance plan to FHWA, FTA and FRA within 60 days.

Section 5.2. Remedies for Failure to Comply with this Cooperative Agreement. If the Commission or the Corporation fail to take corrective action, or provide an acceptable plan to correct any noncompliance, FHWA, FTA or FRA (as applicable) may withhold from future grant moneys available to the state under the provisions of Titles 23 or 49 of the United States Code and the regulations promulgated thereunder, an amount equal to the total amount in dispute until the corrective action is taken or an acceptable plan provided.

ARTICLE VI

EXECUTION, AMENDMENT, AND TERM OF AGREEMENT

Section 6.1 Designated Signatories. The following officials are authorized to enter into amendments to this Cooperative Agreement:

- (a) For the Commission: the Director of the Missouri Department of Transportation;
- (b) For the Corporation: the President of the Missouri Transportation Finance Corporation;
- (c) For FHWA: the Administrator of the Federal Highway Administration;
- (d) For FTA: the Administrator of the Federal Transit Administration; and
- (e) For FRA: the Administrator of the Federal Railroad Administration.

Section 6.2. Amendment. This Cooperative Agreement may be amended at any time by mutual agreement between the designated signatories. Amendments shall be submitted in writing to all parties. The receiving parties shall respond within 30 days approving such change or with written suggested changes. Items not significantly altering this Cooperative Agreement but changing implementation or review procedures, may be implemented through the agreement

of the Director of the Commission, the President of the Corporation and the Administrator of FHWA, FTA and FRA or each one's designee.

Section 6.3. Effective Date. This Cooperative Agreement shall be in effect from and after its execution by all of the parties hereto.

Section 6.4. Termination. This Cooperative Agreement is prepared and executed in five (5) original counterparts and shall remain in effect until terminated in writing by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Cooperative Agreement to be executed by their respective officers or officials.

Executed by the Commission on the 9th day of April, 1999.

**MISSOURI HIGHWAY AND
TRANSPORTATION COMMISSION**

ATTEST:

By [Signature]
Vice Chairman

Marc Ann Winters
Commission Secretary

Approved as to Form:

Dennis Nedel
Commission Counsel

Executed by the Corporation on the 9th day of April, 1999.

**MISSOURI TRANSPORTATION
FINANCE CORPORATION**

ATTEST:

By [Signature]
Vice President

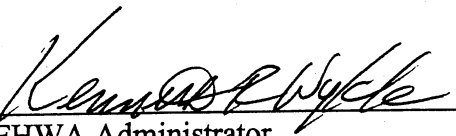
Marc Ann Winters
Corporation Secretary

Approved as to Form:

Dennis Nedel
Counsel

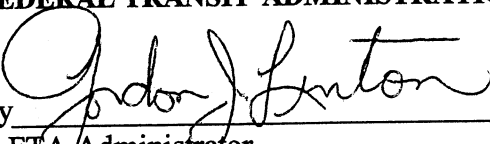
Executed by the Federal Highway Administration on the 7 day of May,
1999.

FEDERAL HIGHWAY ADMINISTRATION

By 
FHWA Administrator

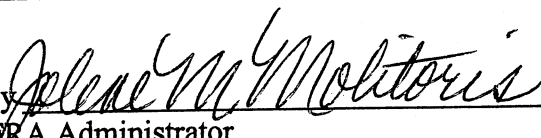
Executed by the Federal Transit Administration on the 19 day of May, 1999.

FEDERAL TRANSIT ADMINISTRATION

By 
FTA Administrator

Executed by the Federal Railroad Administration on the 24 day of May,
1999.

FEDERAL RAILROAD ADMINISTRATION

By 
FRA Administrator

04/09/99

MDW

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MISSOURI TRANSPORTATION FINANCE CORPORATION LOAN POLICY

Purpose

The purpose of this document is to provide written guidelines for the processing of applications and approval of direct loans by the Missouri Transportation Finance Corporation (MTFC) under the Missouri state infrastructure bank program.

Policy

1. Organization

The authority to form and operate the MTFC is initially derived from the Transportation Equity Act for the 21st Century (TEA-21). The MTFC incorporated in August 1996, adopted bylaws and subsequently entered into a Cooperative Agreement (hereinafter "Cooperative Agreement") with the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Federal Railroad Administration (FRA), agencies of the United States Department of Transportation (USDOT) and the Missouri Highways and Transportation Commission (Commission). Under the authority granted initially by TEA-21, as amended by 23 U.S.C. 610, the Missouri Non Profit Corporation Act, Chapter 355, RSMo, and pursuant to the Cooperative Agreement, the Commission organized the MTFC to assist in financing transportation improvements.

The MTFC is administered by an eight member Board of Directors. The Board will consist of three members from the Missouri Department of Transportation, three members of the Missouri Highways and Transportation Commission (MHTC) and two at-large members with knowledge of business or finance. The Board is responsible for the direction of the MTFC and approves all loans. All Board members are voting members.

2. The Purpose of the MTFC

The MTFC provides direct loans for transportation projects within the state of Missouri. Loans are funded from available MTFC resources. The MTFC assistance may be any type authorized by 23 U.S.C. 610.

The following are examples of potential financing options included in 23 U.S.C. 610:

- Primary or subordinated loans
- Credit enhancements
- Debt reserve financing
- Subsidized interest rates
- Purchase and lease agreements for transit projects
- Bond security

MISSOURI TRANSPORTATION FINANCE CORPORATION LOAN POLICY

While state infrastructure banks have the authority to exercise all finance options included in 23 U.S.C. 610, the MTFC provides only direct loans. Financial Services staff must obtain pre-approval by the Board to pursue other financing options authorized by 23 U.S.C. 610 or the MTFC Articles of Incorporation.

These direct loans must help assist the Commission to achieve continued economic, social and commercial growth of Missouri, act in the public interest, or promote the health, safety and general welfare of Missouri citizens.

3. Source of Capitalization

The MTFC was originally capitalized with a mixture of federal and state funds. The MTFC makes direct loans from its original initiating deposits, principal and interest payments from its loan portfolio and interest earned on investment of the funds. Loans may also be financed by the issuance of bonds by the MTFC, which are secured by a pool of MTFC approved loans.

At the direction of the Board, securitization of the loan portfolio may be used to provide new capital for loans.

4. Accounting Practices

The MTFC accounting structure must maintain separate highway and transportation accounts when funds are provided from Title 23 and Title 49 programs.

- Highway Account - The Commission provided 20 percent state match from MoDOT's state road fund toward the initial capitalization of the MTFC. These funds shall be dedicated to providing direct loans consistent with 23 U.S.C. 610 for highway and bridge projects on the state highway system, permitted under Article IV, Section 30(b) of the Missouri Constitution. Any interest earned in this account from loans and investments can be used for administration expenses of the MTFC.
- Transportation Account - These funds shall be dedicated to providing loans consistent with the Cooperative Agreement for any highway project eligible for federal assistance under Title 23 of the U.S. Code and any transit capital project eligible for federal assistance as defined in Section 5302 of Title 49 of the U.S. Code. Any interest earned in this account from loans and investments can be used for administration expenses of the MTFC.

5. Application Process

The program is open to any public or private entity with a transportation project that meets the 23 U.S.C. 610 eligibility criteria. (See #6 "Types of Eligible Projects")

MISSOURI TRANSPORTATION FINANCE CORPORATION LOAN POLICY

All entities are required to submit a written application to the MTFC. For all applicants the following is required:

- Written application
- Current budget
- Project plan
- Timing of loan disbursement
- Dedicated revenue stream to repay the loan
- Form of collateral, if required by the Board
- Potential legal claims and/or liabilities pending or a statement that indicates they do not exist

In addition to the items listed above, private entities applying for a direct loan will be required to provide the following documentation:

- Audited financial statements from an independent CPA for the most recently completed business year
- Form of collateral

Financial Services staff will perform a preliminary evaluation of the application and required documentation. The staff will inform the applicant of any initial concerns. The staff may ask the applicant to provide additional documentation to resolve any concerns identified.

Prior to making recommendations to the Board, the following will be evaluated when reviewing the application:

- Whether the borrower is a public or private entity
- Term of the loan
- Credit quality of the applicant
- Security pledged
- Dedicated revenue source
- Borrower's repayment ability
- Funds available in the bank
- Financial feasibility of the project
- Reasonable cost estimate of the project
- Project benefit to statewide transportation needs

Financial Services staff coordinates with MoDOT district and Multimodal Division personnel to ensure the quality of the project requested in the loan application.

MISSOURI TRANSPORTATION FINANCE CORPORATION LOAN POLICY

6. Types of Eligible Projects and Activities

Candidate projects for MTFC assistance include any highway project eligible for federal assistance under Title 23 of the U.S. Code and any transit capital project eligible for federal assistance as defined in Section 5302 of Title 49 of the U.S. Code. The MTFC can provide financial support to both public and private sponsors of eligible transportation projects, and can assist in financing any stage of the project's development. There are no federal share restrictions on the cost of the projects eligible to receive MTFC assistance. All loans are subject to federal requirements.

- All FHWA functionally classified highways are MTFC eligible except for local or rural minor collectors.
- All bridges within the state that are included within the FHWA's bridge inventory are also eligible.
- All mass transportation capital projects that would otherwise be eligible to receive federal funding are MTFC eligible projects.

Examples of potential projects could include:

- Road and bridge construction, reconstruction, rehabilitation, resurfacing, restoration and operational improvements for highways and bridges.
- Capital projects involving mass transportation.

7. Loan Loss Reserve Account

The MTFC has determined a loan loss reserve account is not necessary. The Corporation has no liabilities to depositors and has no need to offset a portion of this type of risk through a loan loss reserve account. Historically, the Corporation has not incurred loan losses and does not foresee loan losses as a significant potential risk in the future based upon the quality of loan applicants and the security provided.

8. Loan Amount

The size of an MTFC loan is dependent upon the amount of capital available, other demands for capital at the time of the loan application and the amount needed for the project. The minimum loan amount is \$50,000. Financial Services staff may accept loan applications for loan requests of \$10,000,000 or less. Any loan requests greater than \$10,000,000 require pre-approval by the Executive Director, prior to acceptance of the loan application.

9. Rates of Interest

Section 23 U.S.C. 610 requires interest to be at or below market rates. The MTFC most often sets interest rates equal to municipal borrowing rates for both rated and non-rated

MISSOURI TRANSPORTATION FINANCE CORPORATION LOAN POLICY

entities. When determining which rating to use for non-rated entities, consideration is given to the debt coverage ratio, the number of dedicated revenue streams and the term of the loan.

Other factors considered in determining the interest rate include:

- Whether the borrower is a public or private entity
- Security pledged
- Availability of a dedicated revenue source for the length of the loan
- Borrower's repayment ability
- Length of time between loan approval and disbursement
- History of revenue collections, including during periods of economic stress
- Sensitivity of the revenues to changes in economic conditions
- Reliance on growth in the revenues to service debt

10. Loan Security

Loans will be secured to adequately safeguard the MTFC. If the MTFC is the sole lender in a project, the MTFC will take a first security interest in the collateral pledged. If the MTFC is lending in conjunction with other financings, the MTFC will consider taking a subordinate security interest in the collateral pledged.

Loans to local governments and other political subdivisions (hereinafter, local government) will be secured by any one, or a combination, of the following: (1) the local government obtaining voter approval of a properly worded ballot issue for a tax dedicated to secure payment of the debt for the specific project and for no other purpose whatsoever; (2) the local government issuing its own bonds and paying the proceeds into the Local Fund or the State Road Fund; (3) the local government agreeing, in the event of a default, that MHTC/MTFC attach any federal monies designated for the local government which are administered by MoDOT and apply those funds to the local government's indebtedness; (4) as a condition of the loan, the local government agreeing to annually appropriate its contract obligations and to provide annual certification that current revenues plus unexpended balances from prior years are sufficient to meet its obligation to pay MTFC. Annual certification and appropriation by the local government shall be monitored and enforced by Financial Services staff.

Loans to political subdivisions created for the purpose of financing certain transportation projects, such as Transportation Development Districts (TDD), Transportation Corporations (TC), etc., will be secured by the specific tax revenues, other special assessment revenues and any other acceptable collateral necessary to adequately safeguard the MTFC.

MISSOURI TRANSPORTATION FINANCE CORPORATION LOAN POLICY

The most important security feature of loans to local governmental jurisdictions and other political subdivisions will be the pledge of revenues to secure the loan. The revenue pledge may be a “gross” or a “net” pledge. A gross revenue pledge means that no other costs have a claim on the revenues prior to debt service, while a net revenue pledge means that other specified costs (usually operating expenses) are paid prior to debt service. Gross revenue pledges are customary when the pledged revenues are sales or property taxes. Net revenue pledges are found when the revenue is a user fee and the adequacy of operating expenses is necessary to maintain the facility which is generating the revenues necessary to pay debt service. An example of a net revenue pledge would be toll fees.

Loans to private entities will be secured by acceptable collateral such as (1) an irrevocable standby letter of credit; (2) pledge of cash, deposit account or other marketable securities; (3) pledge on a dedicated revenue stream; (4) or other acceptable collateral proposed by the applicants and acceptable to the MTFC, at its sole discretion to adequately safeguard the MTFC.

The collateral pledged on the MTFC loans will be negotiated individually based on the specific credit quality of the borrower and its resources. Listed below are the preferred types of collateral the MTFC considers to secure its loans.

- (1) **Irrevocable Standby Letter of Credit:** The letter of credit is an engagement by a bank made at the request of the bank customer, who is the borrower, that the bank issuer will honor drafts or other demands for payment made by MTFC as a named party upon compliance by MTFC with the conditions specified in the letter of credit.
- (2) **Cash, Deposit Accounts or Marketable Securities:**
 - Cash/Money is the medium of exchange authorized and adopted by the United States government.
 - Deposit Account is any demand, time, savings, passbook, checking or similar account maintained with a bank in the sole ownership name of the borrower.
 - Marketable Security is a type of Investment Property, defined as a security, whether certificated or uncertificated, security entitlement, securities account, commodity contract or commodity account.
- (3) **Dedicated Revenue Stream:** The borrower’s right to payment of monetary obligation, whether or not earned by performance, related to obligation for property sold/leased/assigned or otherwise disposed; or for the services to be rendered.

Other types of collateral may be considered, but require pre-approval by the Executive Director, prior to acceptance of the loan application.

MISSOURI TRANSPORTATION FINANCE CORPORATION LOAN POLICY

11. Terms of Loans

23 U.S.C. 610(g)(5) gives the MTFC authority to require loan repayments to begin no later than 5 years after the project has been completed. For any loan repayments beginning more than 12 months after loan disbursement, pre-approval by the Executive Director should be obtained prior to accepting the loan application.

23 U.S.C. 610(g)(6) gives the MTFC authority to make loans with terms of up to 30 years after the date of the first payment on the loan or the useful life of the investment. However, loan terms will be limited to a maximum of 15 years. For any loan to be amortized over a period of time greater than 10 years, pre-approval by the Executive Director should be obtained prior to accepting the loan application.

12. Approval Process

After Financial Services staff reviews the application to ensure project eligibility with 23 U.S.C. 610 requirements and loan repayment ability, staff will make recommendations to approve or deny the loan application. Each of the eight Board members will have one vote, and a quorum will be defined as any five votes.

Financial Services staff will draft the loan's terms and conditions and will determine from a credit and security point of view, if they are adequate or inadequate. Additionally, the staff will review the loan for overall policy compliance and make a recommendation to approve or deny the loan. Prior to Board approval of the loan, staff will negotiate and seek initial agreement from the borrower of the loan terms. Financial Services staff will notify the applicant in writing whether the loan has been approved or denied.

13. Loan Closings and Standardized Documents

All loan closings shall be performed in accordance with procedures developed by the MTFC. All loan documents shall be prepared on the standardized forms developed by the MTFC.

All loans should be accompanied by the appropriate loan documentation including an ordinance or corporate Board authorization and authorizations by the MTFC Board. A draft loan agreement will be prepared prior to Board approval. Following loan approval by the MTFC Board, a loan agreement will be executed by the borrower within six months to prevent the loan from lapsing, unless an extension is approved by the Executive Director.

14. Loan Files

Each loan file will include an executed loan agreement, promissory note, amortization

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schedule and other documentation needed to support the transaction. Financial Services staff will be responsible for maintaining adequate and current files.

15. Operating Expenses

The MTFC may budget up to 0.1 percent of net assets to cover operating expenses. These monies will be used for the reasonable and necessary costs of administering the MTFC, as described in 23 U.S.C. 610.

16. Loan Fees

The loan fee will be 0.15 percent of the loan amount for public entities. The maximum amount charged for public entities will be \$75,000 and the minimum amount will be \$500. The loan fee will be 0.25 percent of the loan amount for private entities. A maximum amount charged is not applied for private entities, but the minimum amount will be \$1,000. The difference in fees between a public entity and a private entity is to account for the increase in administrative review and monitoring of a private entity loan. The fee must be paid at the time of application submission and is non-refundable, unless the MTFC has no funds available.

17. Servicing Policies and Procedures

In the event the MTFC decides to contract out the servicing of loans, a competitive bidding process will be used.

All borrowers will be requested to make loan payments through the automated clearinghouse system (ACH).

Loans will be monitored annually for UCC-1 expiration dates, upcoming loan disbursements and compliance with annual budgeting requirements. The borrowers' financial statements will be reviewed annually.

Public entities are required to provide: 1) a letter certifying the current public entity's revenues plus expended balances from prior years are sufficient to meet its obligation to pay the MTFC loan, 2) year-end financial statements and 3) the entity's most recently approved budget including a separate line item for the payment of its MTFC loan obligation. These documents will be provided annually to the MTFC within 30 days of the approval of the entity's budget.

Private entities are required to provide annually: 1) a letter certifying there are no other security interests attached to the collateral other than MTFC's security interest 2) audited financial statements prepared by an independent CPA, 3) any other documentation required

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by any outside party associated with having the collateral in place and 4) the entity's most recently approved budget including a separate line item or footnote for the payment of its MTFC loan obligation. These documents will be provided annually to the MTFC within 30 days of the completion of the independent audit.

18. Noncompliance and Default

The Board will be notified when the borrower is no longer in compliance with the terms of the loan established by the loan agreement.

These are the steps Financial Services staff will take to address the noncompliance and default of a loan:

- Notify borrower of noncompliance
- Discuss issue and recommend expectation to resolve the problem with the borrower
- If noncompliance becomes default, follow procedures in the loan agreement to cure default
- Proceed to collect security indicated in the loan agreement

19. Late Payment Fees

A loan payment more than 15 days late will be assessed a two percent late payment fee on the amount of payment due.

20. Policy Review

Financial Services staff will perform a biennial review of the MTFC loan policy and make any recommended changes to the Board for their approval.

MISSOURI DEPARTMENT OF TRANSPORTATION INVESTMENT POLICY

Scope

This policy applies to the investment of Missouri Department of Transportation (MoDOT) funds held outside of the State Treasurer's Office.

Investments through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

The purpose of the Investment Policy shall be to establish the investment objectives of MoDOT and provide a set of investment parameters to govern the type, quality, diversification and term of investments in order to realize those objectives. To assist in accomplishing investment objectives, MoDOT shall employ an Investment Advisor to act in a fiduciary capacity as custodian for the interest and benefit of MoDOT and to, among other responsibilities, develop, implement and execute an investment strategy consistent with this Investment Policy.

The Investment Advisor and MoDOT shall have in place an agreement that will determine the duties expected of them as MoDOT's Investment Advisor. In developing and implementing any investment strategy for the custodial assets, the Investment Advisor shall comply with the investment parameters set forth herein.

General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity and yield:

- 1. Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
 - a. Credit Risk.** MoDOT will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the safest types of securities, as defined in Section V; and
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
 - b. Interest Rate Risk.** MoDOT will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

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2. **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds.
3. **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - A security with declining credit may be sold early to minimize loss of principal;
 - A security exchange would improve the quality, yield, or target duration in the portfolio; or
 - Liquidity needs of the portfolio require that the security be sold.

Standards of Care

1. **Prudence.** The standard of prudence to be used by MoDOT investment officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The standard of prudence to be used by MoDOT financial advisors shall be the "prudent expert" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. **Ethics and Conflicts of Interest.** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officers shall disclose any material interests in financial institutions with which they conduct business. They shall further

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disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of MoDOT.

- 3. Delegation of Authority.** Authority to manage the investment program is granted to the Resource Management division within MoDOT. Responsibility for the operation of the investment program is hereby delegated to the Resource Management Director and his or her delegate, hereinafter referred to as investment officers, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officers. The investment officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officers.

Safekeeping and Custody

- 1. Authorized Financial Dealers and Institutions.** MoDOT's Investment Advisor will serve as MoDOT's Financial Dealer and Institution. The Investment Advisor shall retain principal collection subject to MoDOT's direction and shall distribute income to MoDOT. All securities will be registered in the name of Missouri Highways and Transportation Commission unless otherwise instructed. An annual review of the financial condition and registration of MoDOT's Investment Advisor will be conducted by the investment officers. MoDOT's Investment Advisor will supply the following information as requested:
 - Audited financial statements; and
 - Certification of having read and understood and agreeing to comply with MoDOT's investment policy.
- 2. Internal Controls.** The investment officers are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of MoDOT are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officers shall establish a process for an annual independent review by an auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

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- Control of collusion;
- Separation of transaction authority from accounting and record keeping;
- Custodial safekeeping;
- Avoidance of physical delivery securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers;
- Development of a wire transfer agreement with the lead bank and third-party custodian;
- Timely check of internal trade tickets and dealer confirmations; and
- Sufficiency check of repurchase agreement collateral on the day of trade execution.

- 3. Delivery vs. Payment.** All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. All securities will be held to avoid custodial credit risk as defined by Governmental Accounting Standards Board (GASB) Statement 40 pronouncement.

Suitable and Authorized Investments

- 1. Investment Types.** In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that MoDOT will consider. MoDOT may directly invest in or purchase money market mutual funds with the following as underlying securities:

- **United States Treasury Securities.** MoDOT may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- **United States Agency Securities.** MoDOT may invest in obligations issued or guaranteed by any agency of the United States Government as described in V.2.
- **Repurchase Agreements.** MoDOT may invest in contractual agreements between MoDOT and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices. This includes the purchase of reverse repurchase agreements for not longer than 90 days.
- **Collateralized Public Deposits (certificates of deposit).** Instruments issued by financial institutions, which state that specified sums have been deposited for specified periods of time, and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by state statute.
- **Bankers' Acceptances.** Time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. MoDOT may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard & Poor's Corporation.

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- Commercial Paper. MoDOT may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard & Poor's Corporation. Eligible paper is further limited to issuing corporations that have total commercial paper program size in excess of five hundred million dollars (\$500,000,000).
- 2. Security Selection.** The following list represents the entire range of United States Agency Securities that will be considered and which shall be authorized for the investment of funds by MoDOT. Additionally, the following definitions and guidelines should be used in purchasing the instruments:
- U.S. Govt. Agency Coupon and Zero Coupon Securities. Bullet coupon bonds with no embedded options.
 - U.S. Govt. Agency Discount Notes. Purchased at a discount with maximum maturities of one (1) year.
 - U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only with final maturities of five (5) years.
 - U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed term. Restricted to securities with final maturities of seven (7) years.
 - U.S. Govt. Agency Floating Rate Securities. The coupon rate floats off one index. Restricted to coupons with no interim caps that reset at least quarterly.
 - U.S. Govt. Mortgage Backed Securities. Restricted to securities with average life of five (5) years.
 - Collateralized Mortgage Obligations – Must pass Federal Financial Institutions Examinations Council (FFIEC) Test
- 3. Investment Restrictions and Prohibited Transactions.** To provide for the safety and liquidity of MoDOT's funds, the investment portfolio will be subject to the following restrictions:
- Borrowing for investment purposes ("Leverage") is prohibited.
 - Instruments known as Structured Notes (e.g., inverse floaters, leveraged floaters and equity-linked securities) are not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g., options, futures, swaps, caps, floors, and collars), is prohibited.
 - Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.
 - No more than five percent of the total market value of the portfolio may be invested in bankers' acceptances issued by any one commercial bank and no more than five percent of the total market value of the portfolio may be invested in commercial paper of any one issuer.

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- 4. Collateralization.** Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 100 percent. For certificates of deposit, the market value of collateral must be at least 100 percent or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation, or the National Credit Unions Share Insurance Fund. All securities, which serve as collateral against the deposits of a depository institution, must be safe kept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date. MoDOT shall have a depository contract and pledge agreement with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that MoDOT's security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.
- 5. Repurchase Agreements.** The securities for which repurchase agreements will be transacted will be limited to U.S. Treasury and government agency securities that are eligible to be delivered via the Federal Reserve's Fedwire book entry system. Securities will be delivered to MoDOT's designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

Investment Parameters

- 1. Diversification.** The aggregate investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

 - U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. government..... <= 100%
 - Collateralized time and demand deposits..... <= 100%
 - U.S. Government agencies and government sponsored enterprises..... <= 100%
No more than 50 percent of portfolio in one government sponsored enterprise
 - Collateralized repurchase agreements..... <= 50%
 - U.S. Government agency callable securities..... <= 50%
 - Commercial Paper..... <= 30%
 - Bankers' Acceptances..... <= 30%
- 2. Maximum Maturities.** To the extent possible, MoDOT shall attempt to match its investments with anticipated cash flow requirements. MoDOT shall adopt weighted average life limitations for the portfolio that should not exceed three (3) years and is consistent with the investment objectives.

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Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Reporting

- 1. Methods.** The investment officers shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow MoDOT to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the MoDOT Investment Advisory Board. The Investment Advisory Board will be made up of the four fund managers investing funds outside of the State Treasurers Office, MoDOT's Chief Financial and Administrative Officer and the MoDOT investment officers. The report will include the following:
 - Listing of individual securities held at the end of the reporting period.
 - Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with GASB requirements).
 - Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
 - Listing of investment by maturity date.
 - Percentage of the total portfolio that each type of investment represents.
- 2. Performance Standards.** The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

Commercial paper and bankers' acceptances must be reviewed monthly to determine if the rating level has changed. The commercial paper and bankers' acceptances should be reviewed for possible sale if the securities are downgraded below the minimum acceptable rating levels.
- 3. Marking to Market.** The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

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Policy Considerations

1. **Exemption.** Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
2. **Amendments.** This policy shall be reviewed on an annual basis. Any changes must be approved by the investment officers and the MoDOT Investment Advisory Board, as well as the individual(s) charged with maintaining internal controls.

List of Attachments

The following documents, as applicable, are attached to this policy:
(The list of attachments that would be necessary upon implementation)

- Listing of authorized personnel,
- Relevant investment statutes and ordinances,
- Repurchase agreements and tri-party agreements,
- Listing of authorized broker/dealers and financial institutions,
- Credit studies for securities purchased and financial institutions used,
- Safekeeping agreements,
- Wire transfer agreements,
- Portfolio stress testing if necessary,
- Sample investment reports.

**Missouri Transportation Finance Corporation
Reporting Potential Conflicts of Interest Policy**

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- (1) **Policy Purpose:** The purpose of this voluntary policy is to assist the Missouri Transportation Finance Corporation's (hereinafter, **Corporation**) board of directors (hereinafter, **director or directors**) to:
 - (A) Recognize an actual or appearance of conflict of interest;
 - (B) Comply with this Policy and any applicable conflict of interest laws and rules; and
 - (C) Avoid controversy or embarrassment for the affected individual corporation director, the Corporation, the Missouri Highways and Transportation Commission, and the Missouri Department of Transportation (**MoDOT**).
- (2) **Corporation Director Responsibility:** Conflict of interest may take many forms. The correct analysis of a conflict depends upon the facts disclosed, as well as the applicable law/rule, if any. Each Corporation director should be alert to any potential conflict of interest. The responsibility to avoid potential conflict of interest and compliance with this Policy and any applicable law and/or rule rests with the individual Corporation director.
- (3) **General Provisions:**
 - (A) **Definitions:**
 1. **Potential Conflicts of Interest:** This is an activity or financial interest that may lead to either an actual conflict of interest or the appearance of a conflict of interest.
 - A. **Actual Conflict:** This is an activity or financial interest which is prohibited by this Policy, law, or rule.
 - B. **Appearance of a Conflict:** This is an activity or financial interest which is not prohibited by this Policy, law, or rule, but may appear to be a conflict of interest in the eye of the beholder and thereby controversial in nature.
 2. **Abstention/Abstain:** This is an action where a Corporation director declines to vote on a Corporation agenda item/issue; however, the director may participate in and/or listen to Corporation board discussion of the issue.
 3. **Recusal/Recuse:** This is an action where the Corporation director excuses himself or herself from a Corporation agenda item/issue. The director would not:
 - A. be provided meeting backup material regarding the item/issue;
 - B. listen to or participate in Corporation discussion of the item/issue;
 - C. vote on the agenda item/issue; and
 - D. communicate with any Corporation director and/or staff regarding the item/issue.


- (B) **Informal Advisory Opinions:** Upon request, the Commission's chief counsel will provide a Corporation director with an attorney client privileged informal advisory opinion regarding any potential conflict of interest about which the director may have any question or concern.
- (C) **Conflicts Committee:** The Corporation shall have a standing conflicts committee that consists of the following Corporation staff: executive director; secretary; and treasurer. The Commission's chief counsel, or his/her designated representative, shall serve as counsel to the committee.
- (4) **Procedure and Report for Corporation Directors to Disclose Potential Conflicts of Interest:**
- (A) **Disclosure Report:** When a Corporation director is first appointed to the board, the director should file a written Corporation Director Disclosure Report with the corporation secretary. When a Corporation director is also a member of the Missouri Highways and Transportation Commission, the MHTC Disclosure Report will meet this requirement. The Corporation Director Disclosure Report shall contain a list of the following:
1. the director's current employer(s), if any, and all business and government entities, if any, in which the director is an officer and/or has any ownership or financial interest that may directly or indirectly do business with the Corporation, including the nature of the business or activity;
 2. all Missouri real estate in which the director has any ownership, leasehold, or other possessory or financial interest in, either in the director's individual capacity, or which a business or government entity has the real estate interest and the director serves as an officer of such entity. The director shall also disclose the general nature of the interest (e.g., ownership, lease, etc.), the use (e.g., residential, farming, commercial, etc.), and location (street address or township and range) of such real estate;
 3. any other activity and/or financial interest in an organization, association, district, business entity, government entity, or the like in which the director has no ownership interest and receives no income, such as serving on a board of directors, or the like, including the general nature of the activity or interest (e.g., professional, social, charitable, etc.); and
 4. for those Corporation directors who are attorneys, a list of all current and past lawfirm clients doing business with, being regulated by, or litigating for or against the Corporation from which the Corporation director received or receives income, including the nature of the client's business; and

- (B) **Submission/Distribution of Reports:** All Reports filed by directors should be biennially filed on July 1. The corporation secretary shall distribute all filed disclosure reports to all Corporation directors, the chief counsel, all conflicts committee members, and all MoDOT district engineers. The corporation secretary has discretion to distribute reports to any MoDOT division head as the secretary deems appropriate.
- (C) **Review:** All recipients of filed Corporation Director's Disclosure Reports shall keep such reports confidential, review the reports and give written comments to the corporation secretary regarding:
1. the effect of any Corporation director's potential conflict of interest on the reviewer's area of responsibility; and
 2. any additional information known by the reviewer that may have been overlooked by the Corporation director in preparing their report.
- (D) **Conflicts Committee Review; Discussion with President:** After receipt of reviews of the Corporation Director Disclosure Reports, the corporation secretary shall send the reviews to the conflicts committee, which shall advise the Corporation President of all potential conflicts noted in the reviews and the committee's recommended course of action, if any, the affected Corporation director(s) need to take.
- (E) **Meeting with Director(s):** After informing the president of the conflict committee's recommended course of action, the corporation secretary and/or the chief counsel will discuss the potential conflict with the affected Corporation director(s).
- (F) **Amended Report:**
1. After filing a report with the corporation secretary, if any Corporation director becomes aware that any of the director's activity, financial interest, or specific matter to be presented to the Corporation creates a potential conflict of interest, the director should file a disclosure letter with the corporation secretary to direct that the director's report be amended to include the potential conflict of interest.
 2. The corporation secretary will distribute any amended Corporation Director Disclosure Report as provided in section (4)(B) above.
- (G) **Assistance:** To help Corporation directors identify potential conflicts of interest, MoDOT staff, including the director, chief financial officer, multimodal operations director, financial services director, commission secretary, and chief counsel will make every effort to alert a Corporation director if a disclosed item is related in any way to an agenda item before the Corporation for its action. This notice will include projects located within one mile of any real property in which a Corporation director individually or a business or government entity in which the director is an officer, has any ownership, leasehold, or other possessory or financial interest.

- (H) Corporation Director's Determination to Participate in Corporation Action:** If a Corporation director determines a Corporation meeting agenda item is a potential conflict of interest for herself or himself, the director should either abstain from voting on the issue or recuse himself or herself from Corporation discussion and voting on the issue.
- (I) Annual Update:** The corporation secretary will provide an annual reminder notice to each director to update, if appropriate, due to a changed circumstance, his/her Corporation Director Disclosure Report.

Effective Date: February 5, 2020
Supersedes Policy dated: August 13, 1998
Last Reaffirmed:
Date of Origin: August 13, 1998

Related Board Minutes: August 13, 1998 – initial adoption of policy; February 5, 2020 – initial policy rescinded and new policy adopted.

 MISSOURI TRANSPORTATION FINANCE CORPORATION		CORPORATION DIRECTOR DISCLOSURE REPORT		1. Date: _____, 20__
2. NAME:		3. CURRENT EMPLOYER: BUSINESS NAME & ADDRESS:		
4. BUSINESS ENTITIES: List the name and address of each business entity by which you are employed or in which you have any ownership interest from which you or a family member may receive income including the general nature of the business or activity, its business address, and its physical location. Attach additional sheets as necessary to report additional business entities.				
BUSINESS NAME	BUSINESS ADDRESS	PHYSICAL LOCATION ADDRESS OF BUSINESS	GENERAL NATURE OF BUSINESS (e.g., commercial, industrial, agriculture, etc.)	
5. REAL ESTATE: List all real estate located in Missouri in which you, or a business entity in which you are an officer or employee, have any ownership, leasehold or other interest including the location of such real estate. Attach additional sheets as necessary to report additional real estate.				
LOCATION (street address, city, state & zip or township & range)	LOCATION (county)	GENERAL NATURE OF INTEREST (ownership, leasehold, etc.) AND USE (residential, farm, commercial, etc.)	NAME AND BUSINESS ADDRESS OF INDIVIDUAL OR ENTITY THAT OWNS THE REAL ESTATE	
6. OTHER: List any other activity and/or financial interest, such as serving on a board of directors, or the like that may create a potential conflict of interest for you, including the name and address of the organization and the general nature of the activity or financial interest. Attach additional sheets as necessary to report additional interests.				
NAME OF ORGANIZATION	ADDRESS OF ORGANIZATION	GENERAL NATURE OF ACTIVITY OR FINANCIAL INTEREST		

7. ATTORNEY MEMBERS ONLY: List all clients, current and past, doing business with, being regulated by, or litigating for or against MTFC from which you (or any business entity by which you are employed or have a financial interest in) receives income. Include the name, address, and general nature of the relationship your client or customer has with MTFC. Add additional sheets as necessary to report such additional clients or customers.

CLIENT NAME	CLIENT'S ADDRESS (street address, city, state & zip)	GENERAL NATURE OF CLIENT'S BUSINESS

FILING INFORMATION: This form is to be filed with the Corporation Secretary's office when a Corporation Director is first appointed to the MTFC and updated by letter to the Corporation Secretary when the director becomes aware that any of his/her activity and/or financial interest creates a potential conflict of interest prohibited by policy, rule, or law with respect to the director's official duties.

Missouri Transportation Finance Corporation Execution of Documents Policy

The Corporation recognizes the need to timely complete business transactions with contractors, vendors, and others to obtain the goods and services the Corporation needs to conduct its business. Therefore, the Corporation delegates via this Policy the authority for Corporation officers to execute contractual documents to purchase goods and services on behalf of the Corporation.

All delegations to execute documents must be consistent with the principles set forth below:

- 1. Unique, Sensitive, and/or Potentially Controversial Transactions:** Notwithstanding the delegation of authority to approve and execute documents under this Corporation Policy, all unique, sensitive, and/or potentially controversial transactions must be submitted to the Corporation's Board of Directors for approval prior to execution.
- 2. Budget Compliance:** Documents executed via the authority delegated under this Policy must not incur costs beyond those authorized in the current, Corporation-approved, Operating Budget. Documents that would incur costs beyond the current, Corporation-approved, Operating Budget must be presented to the Corporation's Board of Directors for approval.
- 3. Delegation of Authority to Execute Documents:** The Executive Director, Treasurer, and Assistant Treasurer (any one) are authorized to execute contracts on behalf of the Corporation related to actions taken by the Corporation. No contract executed under this Policy shall expend Corporation funds exceeding \$10,000 per year unless such contract was first approved by the Corporation's Board of Directors.
- 4. Approval as to Form/Execution/Attestation:** All documents executed on behalf of the Corporation shall be approved as to form by the Commission's Chief Counsel or an authorized Assistant Counsel, executed by an authorized Corporation officer, and attested to by the Corporation's Secretary.
- 5. Electronic/Facsimile Signature:** The signatures of Corporation officers authorized to be affixed to all documents pursuant to this Policy may be affixed by facsimile or electronic means to said documents for purposes only of executing and attesting to these documents as authorized herein. The Corporation Board of Directors delegates its authority to the Secretary to establish procedures and directives necessary to implement execution of documents pursuant to this Policy via electronic signatures in accordance with what is acceptable and allowed by Missouri law.

Effective Date: February 5, 2020
Supersedes Policy Dated: August 1, 1997
Last Reaffirmed:
Date of Origin: August 1, 1997

Related Board Minutes: August 1, 1997 – initial adoption of policy; February 5, 2020 – initial policy rescinded and new policy adopted to make the policy consistent with the Missouri Highways and Transportation Commission's November 2, 2018 Execution of Documents.

MTFC Eligible Projects

Projects Eligible Under Title 23, United States Code

Road and Bridge

- Construction, reconstruction, rehabilitation, resurfacing, restoration and operational improvements for highways and bridges.
- Construction or reconstruction necessary to accommodate other transportation modes.
- Eligible public land highways and forest highways.
- Defense access roads.
- Parkways and park roads for projects on a service wide priority list developed by the National Park Service and approved by the Federal Highway Administration (FHWA).
- Maintenance and improvements of refuge roads and associated projects based on a long-range transportation improvement program developed by the U.S. Fish and Wildlife Service.
- Replacement of structurally deficient or functionally obsolete highway bridges on any public road with a new facility constructed in the same general traffic corridor. The bridges must be over waterways, other topographical barriers, other highways or railroads.
- Rehabilitation that is required to restore the structural integrity of a bridge on any public road, as well as the rehabilitation work necessary to correct major safety defects. The bridges must be over waterways, other topographical barriers, other highways or railroads.
- Seismic retrofit and painting of and application of calcium magnesium acetate, sodium acetate formate, or other environmentally acceptable, minimally corrosive anti-icing and de-icing compositions or installing scour countermeasures on bridges and approaches and other elevated structures.
- The demonstration of innovative material technology application in the construction of bridges and other structures.
- Projects to provide for rehabilitation or repair of a historic covered bridge and for preservation of an historic covered bridge by installation of a fire protection system, including fireproofing or fire detection and sprinklers. Projects may also include installation of a system to prevent vandalism and arson or relocation of a bridge to a preservation site. Funds may also be used to collect and disseminate information concerning historic covered bridges, to foster educational programs relating to the history and construction techniques of such structures, conduct research on their history, and conduct research and study techniques on protecting them from rot, fire, natural disaster or weight-related damage.
- Demonstration, priority and special interest projects as specified in the project description in the section of the law authorizing the project.
- To establish, maintain and monitor value-pricing projects.

Environmental

- Mitigation of damage to wildlife, habitat, wetlands and ecosystems caused by a transportation project funded under Title 23, United States Code (U.S.C.).
- Environmental restoration and pollution abatement projects to address water pollution or environmental degradation caused or contributed to by transportation facilities.
- Environmental mitigation to address water pollution due to highway runoff or reduce vehicle caused wildlife mortality while maintaining habitat connectivity.
- Congestion mitigation and air quality improvements projects to include: Transportation activities in an approved State Implementation Plan; Intermodal Surface Transportation Efficiency Act (ISTEA) management and monitoring systems; traffic management/monitoring/congestion relief strategies; transit (new system/service expansion or operations); alternative fuel projects (including vehicle refueling infrastructure);

public/private partnerships and initiatives; inspection and maintenance (I/M) programs; intermodal freight; alternative fuels; telecommunications; travel demand management; project development activities for new services and programs with air quality benefits; public education and outreach activities; rideshare programs; establishing/contracting with transportation management associations; fare/fee subsidy programs; experimental pilot projects/innovative financing; or, other transportation projects with air quality benefits.

Transit

- Publicly owned intracity or intercity bus terminals.

Bicycle/Pedestrian

- Carpool projects.
- Fringe and corridor parking facilities and programs.
- Bicycle and pedestrian facilities (off-road or on-road, including modification of walkways) on any public roads.
- The modification of public sidewalks to comply with the Americans with Disabilities Act of 1990.

Scenic/Historic

- To provide and maintain recreational trails for motorized and nonmotorized recreational trail uses, including trailside and trailhead facilities including provisions to facilitate access for people with disabilities.
- Preservation of abandoned railroad corridors (including the conversion and use for pedestrian or bicycle trails).
- Projects along All-American Roads, National Scenic Byways and State Scenic Byways to include safety improvements, construction of facilities, recreational access improvements, protection of historical and cultural resources along the highway and tourist information and marketing plans.
- Control and removal of outdoor advertising.

Freight

- Replacement of ferryboat operations in existence on January 1, 1984, the replacement of bridges destroyed before 1965, low-water crossings, and bridges made obsolete by Corps of Engineers (COE) flood control or channelization projects and not rebuilt with COE funds.
- The construction of ferry boats and/or ferry terminal facilities that are publicly operated and with public authority having a majority ownership interest provided the operation provides substantial public benefits.

Planning and Research

- Metropolitan transportation planning processes.
- Planning and development for corridors of national significance, economic growth, and international or interregional trade.
- State transportation planning and research.
- International highway transportation outreach.
- Intelligent transportation systems (ITS) research and development.
- Studies of the vulnerability of highways, tunnels and bridges to earthquakes and to develop and implement cost-effective methods to reduce such vulnerability.
- Surface transportation research related to motor carrier transportation and the effect of state laws on activities.
- Surface transportation – environment cooperative research program.

- Surface transportation technology deployment projects that will significantly accelerate the adoption of innovative technologies by the surface transportation community.
- Planning, developing and implementing strategies to integrate transportation and community and system preservation plans and practices.
- Preconstruction planning activities related to deployment of magnetic levitation (maglev) systems capable of safe use by the public at a speed of under 50 mph or in excess of 240 mph.
- Analyze and implement programs to reduce tax evasion associated with motor fuel and highway use taxes.
- Training and technical assistance to rural, small urban and tribal governments on roads, bridges and public transportation.

Safety

- State and community highway safety projects that pay for non-construction costs of highway safety programs aimed at the reduction of injuries, deaths and property damage from motor vehicle accidents.
- “Operation Lifesaver” projects used to carry out public information and education programs intended to help reduce motor vehicle accidents, injuries, and fatalities and to improve driver performance at highway-rail grade crossings and on railroad rights-of-way.
- Safety improvements at public transportation facilities, public pedestrian and bicycle pathways and trails and rail-highway crossings and hazard elimination activities.
- Provision of safety and educational activities for pedestrians and bicyclists.

Projects Eligible Under Subtitle V, Title 49, United States Code

Rail

- Right-of-way acquisition.
- Development or establishment of new intermodal or railroad facilities (intermodal means the connection between rail service and other modes of transportation).
- Improvement or rehabilitation of intermodal or rail equipment or facilities (including tracks, components of tracks, bridges, yards, buildings and shops).
- Refinancing outstanding debt incurred for these purposes.

Projects as Defined in section 5302 of Title 49, United States Code

Mass Transportation

- Acquiring, constructing, supervising, or inspecting equipment or facilities for use in mass transportation.
- Expenses incidental to the acquisition or construction (including designing, engineering, location surveying, mapping, and acquiring rights of way) of equipment or facilities for use in mass transportation.
- Payments for the capital portions of rail trackage rights agreements, relocation assistance, acquiring replacement housing sites, and acquiring, constructing, relocating and rehabilitating replacement housing.
- Rehabilitation or remanufacturing a bus.
- Overhauling rolling stock.
- Preventive maintenance.
- Leasing equipment or a facility for use in mass transportation, subject to regulations that the secretary prescribes limiting the leasing arrangements to those that are more cost-effective than purchase or construction.

- A mass transportation improvement that enhances economic development or incorporates private investment, because the improvement enhances the effectiveness of a mass transportation project and is related physically or functionally to that mass transportation project, or establishes new or enhanced coordination between mass transportation and other transportation, and provides a fair share of revenue for mass transportation that will be used for mass transportation, including the following types of projects: Commercial and residential development; pedestrian and bicycle access to a mass transportation facility; or the renovation and improvement of historic transportation facilities.
- Including the following types of expenses: Property acquisition; demolition of existing structures; site preparation; . utilities; building foundations; walkways; open space; safety and security equipment and facilities (including lighting, surveillance and related intelligent transportation system applications); facilities that incorporate community services such as daycare or health care; and A capital project for, and improving, equipment or a facility for an intermodal transfer facility or transportation mall, except that a person making an agreement to occupy space in a facility under this subparagraph shall pay a reasonable share of the costs of the facility through rental payments and other means; or excluding construction of a commercial revenue-producing facility or a part of a public facility not related to mass transportation.
- The introduction of new technology, through innovative and improved products, into mass transportation.
- The provision of nonfixed route paratransit transportation services in accordance with section 223 of the Americans with Disabilities Act of 1990 (42 U.S.C. 12143) for grant recipients that are in compliance with applicable requirements of that Act, including both fixed route and demand responsive service.